# INFORMATION MEMORANDUM

FOR RESTRICTED CIRCULATION ONLY

## STEEL HAWK BERHAD

Registration No. 202001043293 (1399614-A)
(Incorporated in Malaysia)

**PROPOSED PLACEMENT OF 16,000,000 ORDINARY SHARES IN STEEL HAWK BERHAD ("STEEL HAWK") ("ISSUE SHARE(S)") AT AN ISSUE PRICE OF RM0.20 PER ISSUE SHARE IN CONJUNCTION WITH THE PROPOSED LISTING OF AND QUOTATION FOR THE ENTIRE ENLARGED ISSUED SHARE CAPITAL OF STEEL HAWK ON THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD**

*Approved Adviser, Placement Agent and Continuing Adviser*

UOBKayHian

**UOB Kay Hian Securities (M) Sdn Bhd**
(Registration No. 199001003423 (194990-K))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

CHARACTERISTICS OF THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD

THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON BURSA MALAYSIA SECURITIES BERHAD. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY STEEL HAWK. SOPHISTICATED INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST AFTER DUE AND CAREFUL CONSIDERATION AND, IF APPROPRIATE, CONSULTATION WITH STOCKBROKERS, MANAGERS, SOLICITORS, ACCOUNTANTS AND OTHER PROFESSIONAL ADVISERS.

**This Information Memorandum is dated 10 September 2021**

*All terms used herein are defined under "Definitions".*

**RESPONSIBILITY STATEMENTS**

OUR DIRECTORS AND PROMOTERS HAVE SEEN AND APPROVED THIS INFORMATION MEMORANDUM. THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF ALL THE INFORMATION CONTAINED IN THIS INFORMATION MEMORANDUM. HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THEY CONFIRM THAT THERE ARE NO FALSE OR MISLEADING STATEMENTS OR OTHER MATERIAL FACTS WHICH, IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS INFORMATION MEMORANDUM FALSE OR MISLEADING.

UOBKH, AS OUR APPROVED ADVISER, PLACEMENT AGENT AND CONTINUING ADVISER ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS INFORMATION MEMORANDUM CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE PROPOSED LISTING AND PROPOSED PLACEMENT.

**STATEMENT OF DISCLAMER**

THIS INFORMATION MEMORANDUM HAS BEEN DRAWN UP IN ACCORDANCE WITH THE LEAP MARKET LISTING REQUIREMENTS FOR THE PROPOSED LISTING AND THE PROPOSED PLACEMENT. THIS INFORMATION MEMORANDUM IS NOT A PROSPECTUS AND HAS NOT BEEN REGISTERED, NOR WILL IT BE REGISTERED, AS A PROSPECTUS UNDER THE CMSA. THE PROPOSED PLACEMENT CONSTITUTES AN EXCLUDED ISSUE WITHIN THE MEANINGS OF SECTION 230 OF CMSA. THIS INFORMATION MEMORANDUM HAS BEEN PREPARED IN THE CONTEXT OF SECURITIES OFFERING UNDER THE LAWS OF MALAYSIA. IT DOES NOT COMPLY WITH THE LAWS OF ANY JURISDICTION OTHER THAN MALAYSIA, AND HAS NOT AND WILL NOT BE LODGED, REGISTERED OR APPROVED PURSUANT TO OR UNDER ANY APPLICABLE SECURITIES OR EQUIVALENT LEGISLATION OR BY ANY REGULATORY AUTHORITY OF ANY JURISDICTION OTHER THAN MALAYSIA.

THIS INFORMATION MEMORANDUM HAS BEEN DEPOSITED WITH THE SECURITIES COMMISSION MALAYSIA ("**SC**"). THE SC AND BURSA SECURITIES TAKE NO RESPONSIBILITY FOR THE CONTENTS OF THIS INFORMATION MEMORANDUM, MAKE NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIM ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS INFORMATION MEMORANDUM. THE SC AND BURSA SECURITIES DO NOT MAKE ANY ASSESSMENT ON THE SUITABILITY, VIABILITY OR PROSPECTS OF OUR GROUP. SOPHISTICATED INVESTORS ARE EXPECTED TO MAKE THEIR OWN ASSESSMENT ON OUR GROUP OR SEEK APPROPRIATE ADVICE BEFORE MAKING THEIR INVESTMENT DECISIONS. THE APPROVED ADVISER HAS ASSESSED THE SUITABILITY OF OUR COMPANY FOR ADMISSION TO THE LEAP MARKET AS PER THE LEAP MARKET LISTING REQUIREMENTS.

AN APPLICATION HAS BEEN MADE TO BURSA SECURITIES FOR THE ADMISSION OF OUR COMPANY AND THE LISTING OF AND QUOTATION FOR THE ENTIRE ORDINARY SHARE CAPITAL OF OUR COMPANY ON THE LEAP MARKET. NO MONIES SHALL BE COLLECTED FROM SOPHISTICATED INVESTORS FOR THE SUBSCRIPTION OF THE PLACEMENT SHARES, AND NO NEW SHARES SHALL BE ALLOTTED PURSUANT TO THE PROPOSED PLACEMENT UNTIL BURSA SECURITIES HAS GRANTED ITS APPROVAL FOR THE ADMISSION OF OUR COMPANY TO THE LEAP MARKET. APPROVAL FROM BURSA SECURITIES OF THE SAME IS NOT AN INDICATION OF THE MERITS OF OUR PROPOSED LISTING, PROPOSED PLACEMENT, OUR COMPANY OR OUR SHARES. THIS INFORMATION MEMORANDUM CAN BE VIEWED OR DOWNLOADED FROM BURSA SECURITIES' WEBSITE AT www.bursamalaysia.com.

**THERE ARE CERTAIN RISK FACTORS WHICH SOPHISTICATED INVESTORS SHOULD CONSIDER. PLEASE REFER TO "RISK FACTORS" AS SET OUT IN SECTION 6 OF THIS INFORMATION MEMORANDUM.**

SOPHISTICATED INVESTORS SHOULD NOTE THAT THEY MAY SEEK RECOURSE UNDER SECTIONS 248, 249 AND 357 OF THE CMSA FOR BREACHES OF SECURITIES LAWS AND REGULATIONS INCLUDING ANY STATEMENT IN THE INFORMATION MEMORANDUM THAT IS FALSE, MISLEADING, OR FROM WHICH THERE IS A MATERIAL OMISSION, OR FOR ANY MISLEADING OR DECEPTIVE ACT IN RELATION TO THE INFORMATION MEMORANDUM. THIS INFORMATION MEMORANDUM OR ANY DOCUMENT DELIVERED UNDER OR IN RELATION TO THE ISSUE, OFFER AND SALE OF OUR SHARES IS NOT AND SHOULD NOT BE CONSTRUED AS A RECOMMENDATION BY US AND/OR THE APPROVED ADVISER TO SUBSCRIBE FOR OR PURCHASE OUR SHARES.

THIS INFORMATION MEMORANDUM IS NOT A SUBSTITUTE FOR AND SHOULD NOT BE REGARDED AS AN INDEPENDENT EVALUATION AND ANALYSIS AND DOES NOT PURPORT TO BE ALL INCLUSIVE. EACH SOPHISTICATED INVESTOR SHOULD PERFORM AND IS DEEMED TO HAVE MADE ITS OWN INDEPENDENT INVESTIGATION, ASSESS THE MERITS AND RISKS OF THE INVESTMENT AND ANALYSIS OF OUR COMPANY AND ALL OTHER RELEVANT MATTERS.

THIS INFORMATION MEMORANDUM IS INTENDED FOR CIRCULATION ONLY TO PERSONS WHOM AN INVITATION TO SUBSCRIBE FOR OR PURCHASE SECURITIES OR AN ISSUE OF SECURITIES WOULD CONSTITUTE AN EXCLUDED ISSUE WITHIN THE MEANINGS OF SECTION 230 OF THE CMSA.

THIS INFORMATION MEMORANDUM, IF FURNISHED TO YOU, IS STRICTLY FOR YOUR OWN USE AND IS NOT TO BE CIRCULATED TO ANY OTHER PARTY. INFORMATION IN THIS DOCUMENT IS SUBJECT TO CHANGE FROM TIME TO TIME AS WE AND/OR UOBKH SHALL DEEM FIT.

**OTHER STATEMENTS**

OUR PROPOSED PLACEMENT IS SUBJECT TO THE RECEIPT OF AN APPROVAL-IN-PRINCIPLE FOR OUR PROPOSED LISTING FROM BURSA SECURITIES, WHO MAKES NO ASSESSMENT ON THE SUITABILITY, VIABILITY OR PROSPECTS OF OUR GROUP OR THE MERITS OF INVESTING IN OUR SHARES. UOBKH, AS OUR APPROVED ADVISER, PLACEMENT AGENT AND CONTINUING ADVISER HAS ASSESSED THE SUITABILITY OF OUR GROUP FOR ADMISSION TO THE LEAP MARKET AS REQUIRED UNDER RULE 4.10 OF BURSA SECURITIES' LEAP MARKET LISTING REQUIREMENTS.

**IN MAKING AN INVESTMENT DECISION, YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF AN INVESTMENT IN OUR COMPANY, AND SHOULD CONSULT TO THE EXTENT NECESSARY, YOUR OWN LEGAL, FINANCIAL, TAX, ACCOUNTING AND/OR OTHER PROFESSIONAL ADVISERS IN THIS RESPECT PRIOR TO ANY INVESTMENT IN OUR COMPANY.**

**WE AND/OR UOBKH DO NOT ASSUME ANY FIDUCIARY RESPONSIBILITIES OR LIABILITY FOR ANY CONSEQUENCES, FINANCIAL OR OTHERWISE, ARISING FROM THE SUBSCRIPTION OR ACQUISITION OF OUR SHARES.**

**MODE OF COMMUNICATION**

Upon successful listing on the LEAP Market, we may send notices and documents such as shareholders' circulars, annual reports and written resolutions to our securities holders ("**Holders**") by electronic means to the Holders' registered email address last maintained with either our Company Secretary or Bursa Malaysia Depository Sdn Bhd ("**Bursa Depository**"), as the case may be. Our Holders have a right to request for a hard copy of such notices and documents should they wish to do so. In such event, we will forward a hard copy of the notices and documents to the Holders, as soon as reasonably practicable after the receipt of the request, free of charge by ordinary mail to the Holders' registered Malaysian address last maintained with either our Company Secretary or Bursa Depository, as the case may be, at their own risk.

We may also publish notices and documents on our website as a form of electronic communication with our Holders. In such event, we will separately and immediately notify our Holders through the following by way of:

(i) ordinary mail;

(ii) electronic means to the Holders' registered email address;

(iii) advertisements in an English daily newspaper in Malaysia; and/or

(iv) announcements on Bursa Securities.

**TERMS AND CONDITIONS BINDING ALL RECIPIENTS OF THIS INFORMATION MEMORANDUM**

By accepting this Information Memorandum, you hereby agree and undertake to be bound by the following terms and conditions:-

(i) this Information Memorandum is issued by our Company and distributed by us as well as UOBKH as our Approved Adviser, Placement Agent and Continuing Adviser. The distribution of this Information Memorandum shall be in paper/ printed copy and/ or electronic copy upon request by interested recipients, free of charge. This Information Memorandum is distributed to interested recipients for information purposes only and upon the expressed understanding that such recipients will use it only for the purposes set forth below;

(ii) the information contained in this Information Memorandum, including any statement or fact or opinion, is solely for use by a limited number of prospective Sophisticated Investors for the purpose of evaluating their interest in investing in our Company ("**Proposed Investment**"). Nothing contained herein shall be taken as a recommendation or invitation by us and/ or UOBKH to undertake the Proposed Investment or as a commitment on our part to accept your Proposed Investment;

(iii) we and UOBKH each reserve the right (without notice or recourse) to alter, amend, terminate or suspend the process in respect of the Proposed Investment ("**Investment Process**") without providing any reason therefor. All costs incurred by you during the Investment Process are for your account only and under no circumstances will we or UOBKH be responsible for any part of such costs, notwithstanding any alteration, amendment, termination or suspension of the Investment Process or the reasons thereof;

(iv) subject to the provisions of any laws, regulations and guidelines ("**Applicable Laws**"), we and UOBKH each reserve the right to negotiate with one or more prospective Sophisticated Investors at any time. Subject to the Applicable Laws, we and UOBKH each also reserve the right (without notice or recourse) to terminate, at any time, further participation in the Investment Process by all or any Recipients without assigning any reasons thereof;

(v) you are solely responsible for your investment decision and are advised to seek independent financial, legal, tax or such other professional advice at your own cost and expense when making your independent appraisal, assessment, review and evaluation of our business, financial position, financial performance and prospects, the rights and obligations attaching to our Shares, the merits of investing in our Shares and the extent of the risk involved in doing so;

(vi) this Information Memorandum may include certain statements provided by us or on our behalf with respect to the anticipated future performance of our Group. These statements, although believed to be reasonable, are based on estimates and assumptions made by us that are subject to risks and uncertainties that may cause actual events and our future results to be materially different from that expected or indicated by such statements or estimates and no assurance can be given that any of such statements or estimates will be realised. In light of these and other uncertainties, the inclusion of forward-looking statements in this Information Memorandum should not be regarded as a representation or warranty by us or UOBKH that our plans and strategies as disclosed herein will be achieved;

(vii) any documents in relation to our Proposed Placement and Proposed Listing published or issued from time to time after the date hereof shall be deemed to form part of, this Information Memorandum;

(viii) you shall not copy, reproduce, distribute, summarise, excerpt from, publicly refer to or pass on any part of this Information Memorandum to any person at any time without the prior written consent of UOBKH. You shall at all times keep confidential all information contained herein or any other information relating to our Proposed Placement and Proposed Listing, whether written, oral or in a visual or an electronic form, transmitted or made available to you;

(ix) neither the receipt of this Information Memorandum by any recipient nor any information made available in connection with our Proposed Placement and Proposed Listing is to be taken as constituting the giving of investment advice by UOBKH. UOBKH shall not advise you on the merits or risks of our Proposed Placement and Proposed Listing or potential valuations for the Proposed Investment; and

(x) this Information Memorandum will not be distributed in any jurisdiction outside Malaysia except in accordance with the legal requirements applicable in such jurisdiction. No recipient in any jurisdiction outside Malaysia may take any action upon this Information Memorandum if, in the relevant jurisdiction, such action cannot be taken by the recipient without contravention of any relevant legal requirements. It is the sole responsibility of any recipient wishing to take any action upon this Information Memorandum to satisfy themselves as to the full observance of the laws of the relevant jurisdiction and/ or Malaysia in connection therewith, including without limitation, the receipt of our Shares or cash payments upon the sale of our Shares by the recipient, the repatriation of any money by the recipient out of Malaysia, any governmental, exchange control or other consents which may be required, and the payment of any tax or duty due in such jurisdiction. Such recipient shall be responsible for the payment of any tax or other requisite payment due in such jurisdiction, and we and UOBKH shall be entitled to be fully indemnified by such recipient for any tax or payment as the recipient may be required to pay.

**PRIVACY NOTICE**

The Personal Data Protection Act 2010 ("**PDPA**") was introduced to regulate the processing of personal data in commercial transactions. The PDPA requires us to inform you of your rights in respect of your personal data that is to be collected and processed by us.

Consequently, please be informed that the personal data and other information (collectively, "**Personal Data**") that you provide will be used and processed by us in connection with our Proposed Placement only ("**Purpose**"), and not for any other purpose.

If required for the Purpose, you hereby give consent that your Personal Data may be transferred to locations outside Malaysia or disclosed to our related corporations or our vendor, agent, contractor, service provider, consultant or adviser who provide services to us, including our Placement Agent, which may be located within or outside Malaysia. Save for the foregoing, your Personal Data will not be knowingly transferred to any place outside Malaysia or be knowingly disclosed to any other third party.

You may at any time hereafter make inquiries, complaints and, upon payment of a prescribed fee, request in writing for access to, or correction of, your Personal Data or limit the processing of your Personal Data (as described above) by submitting such request to the following:

Postal address : **STEEL HAWK BERHAD**
Unit 30-01, Level 30, Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

Kindly be informed that we will assume that you have consented and we will continue to process your Personal Data in accordance with this Privacy Notice unless we hear otherwise from you. You may exercise your rights in respect of your Personal Data in the manner described above.

This Privacy Notice may be amended from time to time and would be in effect on the date as determined by us. Any amendment to this Privacy Notice shall be published on any medium as we deem fit.

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**APPENDICES**



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## INDICATIVE TIMETABLE AND PRINCIPAL STATISTICS OF THE PROPOSED LISTING

*All defined terms used in this Information Memorandum are defined under "Definitions".*

The following events are intended to take place on the following tentative dates:-

| **Events** | **Tentative Dates** |
|---|---|
| Date of Information Memorandum | 10 September 2021 |
| Allotment of Issue Shares | Mid-October 2021[*1] |
| Listing date | End-October 2021[*1] |

**Note:-**

[*1] Subject to receipt of approval-in-principle from Bursa Securities for the Proposed Listing.

This timetable is indicative and is subject to changes which may be necessary to facilitate implementation procedures. An announcement for the key relevant dates will be made after obtaining the approval-in-principle from Bursa Securities for the Proposed Listing.

## PRINCIPAL STATISTICS OF THE PROPOSED LISTING

| | | **No. of Shares** | **RM** |
|---|---|---|---|
| **i.** | **Share capital** | | |
| | Issued share capital as at the date of this Information Memorandum | 144,000,000 | 4,608,001 |
| | Shares to be issued pursuant to the Proposed Placement | 16,000,000 | 3,200,000 |
| | **Enlarged issued share capital upon completion of the Proposed Listing** | **160,000,000** | **7,808,001** |
| | **Percentage of enlarged share capital represented by the Issue Shares** | | 10.00% |
| **ii.** | **Issue Price for each Issue Share** | | 0.20 |
| **iii.** | **Market capitalisation of our Company at the Issue Price upon completion of the Proposed Listing** | | 32,000,000 |
| **iv.** | **Gross proceeds of the Proposed Placement** | | 3,200,000 |

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**DEFINITIONS**

The following terms in this Information Memorandum have the same meaning as set out below unless the term is defined otherwise or the context requires otherwise:-

| | | |
|---|---|---|
| "Acquisition of Steel Hawk Engineering" | : | Acquisition by our Company of the entire issued share capital of Steel Hawk Engineering comprising 1,500,000 ordinary shares from Dato' Sharman, Salimi Bin Khairuddin and Khairul Nazri Bin Kamarudin for a purchase consideration of RM4,607,999 which was fully satisfied by the issuance of 143,999,960 new Steel Hawk Shares at an issue price of RM0.032 per Share. The Acquisition of Steel Hawk Engineering was completed on 9 June 2021 |
| "Act" | : | Companies Act, 2016 |
| "Approved Adviser" or "UOBKH" or "Placement Agent" or "Continuing Adviser" | : | UOB Kay Hian Securities (M) Sdn Bhd (Registration No. 199001003423 (194990-K)) |
| "Board" | : | Board of Directors of our Company |
| "BS" | : | British Standards |
| "Bursa Depository" | : | Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W)) |
| "Bursa Securities" | : | Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W)) |
| "CAGR" | : | Compound annual growth rate |
| "CDS" | : | Central Depository System |
| "CDS Account(s)" | : | Securities account(s) established by Bursa Depository for a depositor pursuant to the SICDA and the rules of Bursa Depository for the recording of deposits of securities and dealings in such securities by the depositor |
| "CIDB" | : | Construction Industry Development Board Malaysia |
| "CMSA" | : | Capital Markets and Services Act, 2007 |
| "Constitution" | : | The constitution of our Company |
| "COVID-19" | : | Coronavirus disease 2019 |
| "Dato' Sharman" | : | Dato' Sharman Kristy A/L Michael |
| "Director(s)" | : | Has the meaning given to it in Section 2(1) of the CMSA |
| "EBITDA" | : | Earnings before interest, taxation, depreciation and amortisation |
| "EN" | : | European Standards |
| "EPS" | : | Earnings per share |
| "FYE" | : | Financial year ended/ending, as the case may be |
| "Government" | : | Government of Malaysia |
| "GP" | : | Gross profit |
| "HSE" | : | Health, safety and environmental |
| "IMR" or "Smith Zander" | : | Smith Zander International Sdn Bhd (Registration No. 201301028298 (1058128-V)), our Independent Market Researcher |

| | | |
|---|---|---|
| "Information Memorandum" | : | This information memorandum dated 10 September 2021 in relation to our Proposed Placement and Proposed Listing |
| "ISO" | : | International Organisation for Standardisation |
| "Issue Price" | : | The issue price of RM0.20 per Issue Share |
| "Issue Share(s)" | : | 16,000,000 new Steel Hawk Shares to be issued pursuant to the Proposed Placement |
| "LEAP Market" | : | LEAP Market of Bursa Securities |
| "Listing Requirements" | : | LEAP Market Listing Requirements of Bursa Securities |
| "LPD" | : | 1 September 2021, being the latest practicable date prior to the date of this Information Memorandum |
| "Market Day(s)" | : | Any day(s) on which Bursa Securities is open for trading of securities |
| "MCO" | : | Movement Control Order |
| "MFRS" | : | Malaysian Financial Reporting Standards |
| "MITI" | : | Ministry of International Trade and Industry |
| "NA" | : | Net assets |
| "NBV" | : | Net book value |
| "Official List" | : | A list specifying all securities listed on Bursa Securities |
| "O&G" | : | Oil and gas |
| "PAT" | : | Profit after taxation |
| "PBT" | : | Profit before taxation |
| "PETRONAS" | : | Petroliam Nasional Berhad (Registration No. 197401002911 (20076-K)) |
| "PETRONAS group" | : | PETRONAS and its subsidiaries, collectively |
| "PJ Office" | : | The head office of Steel Hawk Group located at 23-2 & 25-2, Block H Jalan PJU 1/37, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan |
| "Promoter(s)" | : | Dato' Sharman, Datin Annie A/P V Sinniah, Salimi Bin Khairuddin, Khairul Nazri Bin Kamarudin and Radiant Capital, collectively |
| "Proposed Listing" | : | The proposed listing of and quotation for 160,000,000 Steel Hawk Shares representing the entire enlarged share capital of our Company on the LEAP Market of Bursa Securities |
| "Proposed Placement" | : | Proposed placement of 16,000,000 Issue Shares at the Issue Price to selected Sophisticated Investors in conjunction with the Proposed Listing |
| "Radiant Capital" | : | Radiant Capital Sdn Bhd (Registration No. 202101013134 (1413433-P)) |
| "SC" | : | Securities Commission Malaysia |
| "Sophisticated Investor(s)" | : | A person(s) who falls within any of the categories of investors set out in Part I of Schedule 7 of the CMSA |
| "Steel Hawk" | : | Steel Hawk Berhad (Registration No. 202001043293 (1399614-A)) |

**DEFINITIONS (CONT'D)**

| | | |
|---|---|---|
| "Steel Hawk Engineering" | : | Steel Hawk Engineering Sdn Bhd (Registration No. 201201034856 (1019338-X)) |
| "Steel Hawk Group" | : | Steel Hawk and its subsidiary, namely Steel Hawk Engineering, collectively |
| "Steel Hawk Share(s)" or "Share(s)" | : | Ordinary share(s) in Steel Hawk |

**<u>Currencies</u>**

| | | |
|---|---|---|
| "RM" and "sen" | : | Ringgit Malaysia and sen |
| "USD" | : | United States Dollar |

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## GLOSSARY OF TECHNICAL TERMS

The following terms in this Information Memorandum have the same meaning as set out below unless the term is defined otherwise or the context requires otherwise:-

| | | |
|---|---|---|
| "Blasting" | : | A method of cleaning an object or surface to prepare the surface for painting or other type of coating by propelling abrasive material against the surface using a water pump, compressed air or a mechanical wheel |
| "Chemical injection skids" | : | An equipment installed at onshore or offshore exploration and production facilities (e.g. platforms, rigs or terminals) to inject various chemicals, usually as dilute solutions at precise amount and pressure into piping and O&G wells for the purpose of well cleaning, improving pipeline flow and preventing internal corrosion of pipelines |
| "Corrosion monitoring equipment" | : | A device that monitors equipment, components, structures, process units and facilities for signs of corrosion |
| "Crude oil" | : | A naturally occurring unrefined petroleum product composed of hydrocarbon deposits and other organic materials |
| "Downstream" | : | The segment of the O&G value chain pertaining to refining and marketing of petroleum products (for clarification, within the downstream segment, our Group provides products and services to the refining sub-segment only) |
| "Drilling fluids" | : | Fluids added to the wellbore to facilitate the drilling process by suspending cuttings, controlling pressure, stabilising exposed rock, providing buoyancy, and cooling and lubrication; also referred to as drilling mud |
| "EPCC" | : | Engineering, procurement, construction and commissioning where an EPCC contractor is responsible for all activities from engineering, procurement, construction to commissioning and handover of the project to the owner |
| "Fire rated doors" | : | Fire rated doors are doors that provide protection by slowing the transfer of heat and flames when in contact with fire |
| "Fitting(s)" | : | An adapter used in pipe systems to connect straight sections of pipes and tubes, to adapt to different sizes and shapes, and for other purposes such as regulating (or measuring) fluid flow |
| "Flange" | : | A flat rim to connect pipes, valves, pumps and other equipment to form a piping system |
| "Gaskets" | : | A ring-shaped mechanical seal, which seal flange joints |
| "Manifold" | : | A pipe fitting with several side outlets to connect it with other pipes |
| "Master Price Agreement(s)" | : | A contract between two parties in which both parties agree to the terms that will govern future transactions or future agreements particularly on commercial pricing and technical standards |
| "Mud cooler system" | : | A system that receives a flow of drilling materials from a drilled wellbore during a drilling operation and cools the mixture of drilling materials |

**GLOSSARY OF TECHNICAL TERMS (CONT'D)**

| | | |
|---|---|---|
| "Nozzle" | : | A device designed to control the direction or characteristics of a fluid flow (particularly to increase velocity) as it exits or enters an enclosed chamber or pipe |
| "Offshore" | : | The development of oil fields and natural gas deposits from the sea or ocean through an O&G platform structure |
| "Oilfield equipment" | : | Products used in the O&G exploration and production process |
| "Oil spill recovery equipment" | : | Device which includes oil booms, skimmers and absorbents that are used to clean up and control ocean oil spills |
| "Onshore" | : | The development of oil fields and natural gas deposits on land through an O&G platform structure, or a terminal or processing facility on land that receives crude oil and natural gas delivered from the offshore O&G platform |
| "Panic bars" | : | A push bar fitted onto a door to allow users to quickly and easily open the door by pushing the push bar |
| "Petroleum arrangement contractors" | : | Contractors which enter into a contract with PETRONAS for the provision of exploration and production activities in the O&G industry |
| "Pig trap system" | : | Pipeline inspection gauge ("**pig**") trap system, an equipment which enables the execution of pigging activity (i.e. operational pigging and intelligent pigging) which is an essential pipeline maintenance activity that serves to maximise production flow and mitigate internal corrosions of pipelines without interrupting production flow in a safe manner. The pipeline inspection gauge trap system comprises launcher and receiver enclosure door, major barrel, reducer, minor barrel and its associated equipment such as pigging related valves, drain line piping, vent line piping, kicker/bypass line piping, equalizing piping, pig signaller (intrusive and/or non-intrusive type), pressure gauge, and temperature gauge |
| "Pipeline(s)" | : | A pipe system, comprising pipe, components, accessories, isolating valves and pipeline inspection gauge barrels, used to transport liquids and gaseous substances including, amongst others, crude oil and natural gas |
| "Quick opening closure door seal" or "QOCs" | : | A pressure-containing component used for repeated access to the interior of a piping system |
| "Safe man-hours" | : | The unit of measure that is used in project management to measure the efforts needed to complete a task |
| "Scrapper launcher and receiver" | : | Sections of a pipeline which allow the pipeline inspection gauge to enter and exit the pipeline. These are generally funnel, Y-shaped sections of the pipe which can be pressurised or depressurised and then safely opened to insert or remove the pipeline inspection gauge |
| "Signaller" | : | A device used to provide confirmation of the movement of the pipeline inspection gauge through a pipeline. They are normally positioned at the pipeline inspection gauge launching and receiving stations and at key points along a pipeline |

**GLOSSARY OF TECHNICAL TERMS (CONT'D)**

| | | |
|---|---|---|
| "Skimmers" | : | A device that is designed to remove oil floating on a liquid surface |
| "Absorbents" | : | Materials used during an oil spill cleanup which recover oil by absorbing and retaining oil |
| "Strainer" | : | A device to remove unwanted solids from liquid, gas or steam lines mechanically by means of a perforated or wire mesh straining element |
| "Sump and drain" | : | Facilities designed for the treatment of oily water to meet a given specification (maximum oil content in water) for its disposal to sea or public waters |
| "SWEC" | : | Standardised Work and Equipment Categories issued by PETRONAS |
| "Topside facilities" | : | The upper structure of O&G platforms which include processing facilities and accommodation spaces built for installation on steel jackets and concrete gravity base structures as well as on floating units |
| "Tubing" | : | A small-diameter pipe used for down-hole control systems, hydraulic and pneumatic piping, chemical injection modules, and other process equipment |
| "Tubular" | : | Section or hollow cylinder, usually but not necessarily of circular cross-section, used to convey the flow of liquid and gaseous substances |
| "Upstream" | : | The segment of the O&G value chain pertaining to exploration and production of crude oil and natural gas |
| "Valves" | : | A device for controlling the passage of fluids or air through a pipe or duct |
| "Venturi tubes" | : | A device for measuring the flow rate of a fluid, which consists of a tube with a short, narrow cross section in the centre which gradually widens at either end of the tube. Fluid flows through the centre section at a higher velocity than through the end sections, thereby creating a pressure differential which can be used to measure flow rate |

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## PRESENTATION OF INFORMATION

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include natural persons, firms, companies, body corporates and corporations.

References in this Information Memorandum to any provisions of the statutes, rules, regulations, enactments or rules of stock exchange shall (where the context admits), be construed as reference to provisions of such statutes, rules, regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force. References to a time of day in this Information Memorandum shall be a reference to Malaysian time, unless otherwise stated.

References to "our Company" or "the Company" or "Steel Hawk" in this Information Memorandum are made to Steel Hawk Berhad (Registration No. 202001043293 (1399614-A)), references to "Our Group" or "the Group" or "Steel Hawk Group" are made to our Company and our subsidiaries and references to "we" or "us" or "our" or "ourselves" are made to our Company, and where the context requires, our Company and our subsidiaries. Unless the context otherwise requires, references to "Management" are to our Directors and key management personnel as at the date of this Information Memorandum, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

This Information Memorandum includes statistical data provided by us and various third parties and cites third-party projections regarding growth and performance of the industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Information Memorandum, provided that where no source is stated, it can be assumed that the information originated from us. In particular, certain information in this Information Memorandum is extracted or derived from report(s) provided by Smith Zander for inclusion in this Information Memorandum. We have appointed Smith Zander to provide an independent market research report relating to an overview of the industry in which we operate in. In compiling their data for the review, Smith Zander relied on its research methodology, industry sources, published materials, its private databanks and direct contacts within the industry. We believe that the statistical data and projections cited in this Information Memorandum are useful in helping you to understand the major trends in the industry in which we operate.

The information on our website, or any website directly or indirectly linked to our website does not form part of this Information Memorandum and you should not rely on it.

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## FORWARD-LOOKING STATEMENTS

This Information Memorandum contains forward-looking statements. All statements other than statements of historical facts included in this Information Memorandum, including, without limitation, those regarding our financial position, business strategies, plans and objectives of our Management for future operations, are forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Management's current view with respect to future events and are not a guarantee of future performance. Forward-looking statements can be identified by the use of forward-looking terminology such as the words "expect", "believe", "plan", "intend", "estimate", "anticipate", "aim", "forecast", "may", "will", "would", and "could" or similar expressions and include all statements that are not historical facts.

These forward looking statements involve known and unknown risks, uncertainties and other factors beyond our control that cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, amongst others:-

- the general economic, business, social, political and investment environment in Malaysia and other countries in which we conduct business; and

- our future capital needs and the availability of financing and capital to fund such needs, and interest rates and tax rates.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to those discussed in **Section 6** of this Information Memorandum on "Risk Factors" and **Section 8.2** of this Information Memorandum on "Management's discussion and analysis of financial condition and results of operations". We cannot give any assurance that the forward-looking statements made in this Information Memorandum will be realised. Such forward-looking statements are made only as at the date of this Information Memorandum.

Save as required by Section 238 of the CMSA, we expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statement contained in this Information Memorandum to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Sophisticated Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward-looking statement that are contained herein.

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## 1. CORPORATE DIRECTORY

| | | |
|---|---|---|
| **DIRECTORS** | : | Haslinda Binti Hussein<br>*(Chairperson/ Independent Non-Executive Director)*<br><br>Dato' Sharman Kristy A/L Michael<br>*(Chief Executive Officer / Executive Director)*<br><br>Khairul Nazri Bin Kamarudin<br>*(Chief Operating Officer (Off-Shore) / Executive Director)*<br><br>Salimi Bin Khairuddin<br>*(Chief Operating Officer (On-Shore) / Executive Director)*<br><br>Datin Annie A/P V Sinniah<br>*(Human Resource and Administration Director / Executive Director)* |
| **HEAD/MANAGEMENT OFFICE** | : | 23-2 & 25-2, Block H<br>Dataran Prima<br>Jalan PJU 1/37<br>Petaling Jaya, 47301<br>Selangor, Malaysia<br><br>Tel : (03) 7880 7818<br>Fax : (03) 7880 7535<br>Website : www.steelhawk.com.my<br>E-mail address : contact@steelhawk.com.my |
| **REGISTERED OFFICE** | : | Unit 30-01, Level 30, Tower A, Vertical Business Suite<br>Avenue 3, Bangsar South<br>No. 8, Jalan Kerinchi<br>59200 Kuala Lumpur<br>Malaysia<br><br>Tel : (03) 2783 9191<br>Fax : (03) 2783 9111 |
| **COMPANY SECRETARY** | : | Rebecca Kong Say Tsui (MAICSA 7039304)<br>(SSM Practising Certificate No. 202008001003)<br>Unit 30-01, Level 30, Tower A, Vertical Business Suite<br>Avenue 3, Bangsar South<br>No. 8, Jalan Kerinchi<br>59200 Kuala Lumpur<br>Malaysia<br><br>Tel : (03) 2783 9251<br>Fax : (03) 2783 9111<br><br>K.Saraswathy A/P A.Kamawadi (MAICSA 7062326)<br>(SSM Practising Certificate No. 201908001970)<br>Unit 30-01, Level 30, Tower A, Vertical Business Suite<br>Avenue 3, Bangsar South<br>No. 8, Jalan Kerinchi<br>59200 Kuala Lumpur<br>Malaysia<br><br>Tel : (03) 2783 7991<br>Fax : (03) 2783 9111 |

## 1. CORPORATE DIRECTORY (CONT'D)

| | | |
|---|---|---|
| **APPROVED ADVISER, PLACEMENT AGENT AND CONTINUING ADVISER** | : | UOB Kay Hian Securities (M) Sdn Bhd<br>(Registration No. 199001003423 (194990-K))<br><br>Suite 19-03, 19th Floor<br>Menara Keck Seng<br>203 Jalan Bukit Bintang<br>55100 Kuala Lumpur<br><br>Tel : (03) 2147 1900<br>Fax : (03) 2147 1950 |
| **AUDITORS AND REPORTING ACCOUNTANTS** | : | KPMG PLT<br>(LLP0010081-LCA & AF 0758)<br><br>Level 10, KPMG Tower,<br>8, First Avenue, Bandar Utama<br>47800 Petaling Jaya<br>Selangor, Malaysia<br><br>Tel : (03) 7721 3388<br>Fax : (03) 7721 3399 |
| **DUE DILIGENCE SOLICITORS** | : | Azman Davidson & Co<br><br>Suite 13.03, 13th Floor<br>Menara Tan & Tan<br>207, Jalan Tun Razak<br>50400 Kuala Lumpur<br><br>Tel : (03) 2164 0200<br>Fax : (03) 2164 0280 |
| **SHARE REGISTRAR** | : | Tricor Investor & Issuing House Services Sdn Bhd<br>(Registration No. 197101000970 (11324-H))<br><br>Unit 32-01, Level 32, Tower A, Vertical Business Suite<br>Avenue 3, Bangsar South<br>No. 8, Jalan Kerinchi<br>59200 Kuala Lumpur<br>Malaysia<br><br>Tel : (03) 2783 9299<br>Fax : (03) 2783 9222 |
| **INDEPENDENT MARKET RESEARCHER** | : | Smith Zander International Sdn Bhd<br>(Registration No. 201301028298 (1058128-V))<br><br>15-01, Level 15<br>Menara MBMR<br>1 Jalan Syed Putra<br>58000 Kuala Lumpur<br>Malaysia<br><br>Tel : (03) 2732 7537 |
| **LISTING SOUGHT** | : | LEAP Market of Bursa Securities |

## 2. DETAILS OF OUR PROPOSED LISTING

### 2.1 Details of our Proposed Listing

Pursuant to our Proposed Listing, we intend to issue 16,000,000 Issue Shares, representing 10.00% of our enlarged issued share capital at an Issue Price of RM0.20 per Issue Share to Sophisticated Investors.

Our Company was incorporated in Malaysia on 29 December 2020 as a private limited company under the name of Steel Hawk Sdn Bhd. On 8 July 2021, we were converted into a public limited company for the purposes of the Proposed Listing. Our Company is an investment holding company. Our Company through our only wholly-owned subsidiary, namely Steel Hawk Engineering, is primarily involved in the following business activities:-

| | | |
|---|---|---|
| **O&G support services** | EPCC services and facilities improvement/ maintenance<br><br>Revenue*1: RM11.95 mil (60.14%) | EPCC services for chemical injection skids and improvement/ maintenance of topside O&G facilities (i.e. onshore O&G terminal and/ or offshore production platform) |
| | Installation and maintenance of oilfield equipment<br><br>Revenue*1: RM5.64 mil (28.38%) | Installation, repair, refurbishment and replacement of oilfield equipment (e.g. pig trap system, fire rated doors or oil spill recovery equipment) in topside O&G facilities (i.e. onshore O&G terminals and/ or offshore production platform) |
| | Supply of oilfield equipment<br><br>Revenue*1: RM2.28 mil (11.48%) | Supply of oilfield equipment (e.g. pig trap system, fire rated doors or oil spill recovery equipment), as well as their parts and components, undertaken through purchase orders on an ad hoc basis (involves the standalone supply of oilfield equipment to our customers without any installation or maintenance provided) |

**Note:-**

*1 Based on our Group's audited combined financial statements for the FYE 31 December 2020.

EPCC services and facilities improvement/ maintenance was our initial business activity commencing in May 2013 (specifically the provision of EPCC services for chemical injection skids) and has been the main contributor to our revenue for the financial years under review, having contributed approximately 59.32% and 60.14% of our total revenue for the FYE 31 December 2019 and 2020, respectively. Our other business activities of installation and maintenance of oilfield equipment as well as supply of oilfield equipment had commenced in July 2017, pursuant to our Group securing our first call out contract for the provision of supply, delivery, installation, maintenance and services of fire rated doors, and our Board is looking to expand these business activities moving forward.

Further details of our history and business are set out in **Sections 3** and **4** of this Information Memorandum.

### 2.2 Basis of arriving at the Issue Price

The Issue Price of RM0.20 per Issue Share was determined and agreed upon between our Board and Approved Adviser, after taking into consideration the following factors:-

(i) Our audited EPS of approximately 1.84 sen for the FYE 31 December 2020 based on our enlarged share capital of 160,000,000 Shares upon the Proposed Listing representing a price-to-earnings multiple of approximately 10.87 times;

(ii) Our financial performance and operating history as described in **Section 8** of this Information Memorandum;

## 2. DETAILS OF OUR PROPOSED LISTING (CONT'D)

(iii) Our competitive strengths, business strategies and future plans as outlined in **Sections 4.1.6** and **4.11** of this Information Memorandum; and

(iv) The prevailing market conditions which include the current market trends and investors' sentiment.

There was no public market for our Shares within or outside Malaysia prior to our Proposed Listing. You should note that the market price of our Shares subsequent to the Proposed Listing is subject to the vagaries of market forces and other uncertainties which may affect the price of our Shares being traded. You are reminded to carefully consider the risk factors as set out in **Section 6** of this Information Memorandum and form your own views on the valuation of our Shares before deciding to invest in our Shares.

### 2.3 Share capital

| | No. of Shares | RM |
|---|---|---|
| Existing share capital of our Company | 144,000,000 | 4,608,001 |
| New Shares to be issued pursuant to the Proposed Placement | 16,000,000 | 3,200,000 |
| **Enlarged share capital upon completion of the Proposed Listing** | **160,000,000** | **7,808,001** |
| Issue Price per Issue Share | | 0.20 |
| Market capitalisation at the Issue Price upon completion of the Proposed Listing | | 32,000,000 |

As at the LPD, our Company has 1 class of shares, namely ordinary shares.

The Issue Shares will, upon allotment and issue, rank equally in all respects with our existing issued Shares, including voting rights, and will be entitled to all rights, dividends and distributions that may be declared subsequent to the date of allotment of the Issue Shares.

Subject to any special rights attaching to any Shares which we may issue in the future, our shareholders shall, in proportion to the number of Shares held by them, be entitled to share in the profits paid out by us in the form of dividends and other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus in accordance with our Constitution.

At any general meeting of our Company, each shareholder shall be entitled to vote in person, by proxy or by attorney. On a show of hands, each present shareholder either in person, by proxy, by attorney or other duly authorised representative shall have 1 vote. On a poll, each present shareholder either in person, by proxy, by attorney or other duly authorised representative shall have 1 vote for each Share held. A proxy may but need not be a member of our Company.

### 2.4 Shareholding structure

Our shareholding structure before and after the Proposed Listing is set out below:-

| | Before the Proposed Placement and Proposed Listing | | After the Proposed Placement and Proposed Listing | |
|---|---|---|---|---|
| **Shareholders** | **No. of Shares** | **%[*1]** | **No. of Shares** | **%[*2]** |
| Promoters and/ or substantial shareholders | 144,000,000 | 100.00 | 144,000,000 | 90.00 |
| Sophisticated Investors | - | - | 16,000,000 | 10.00 |
| | **144,000,000** | **100.00** | **160,000,000** | **100.00** |

## 2. DETAILS OF OUR PROPOSED LISTING (CONT'D)

**Notes:-**

*1 Based on our existing share capital comprising 144,000,000 Shares.

*2 Based on our enlarged share capital comprising 160,000,000 Shares after the Proposed Placement.

### 2.5 Objectives of our Proposed Listing

The objectives of our Proposed Listing are as follows:-

(i) to tap into the capital market for funds and to provide us with the financial flexibility to pursue growth opportunities;

(ii) to enhance the corporate profile of our Group;

(iii) to establish liquidity for our Shares; and

(iv) to provide an opportunity for our business associates and persons who have contributed to the success of our Group to become our shareholders and participate in our future growth prospects.

### 2.6 Utilisation of proceeds

The expected gross proceeds from the Proposed Placement amounting to RM3,200,000 based on the Issue Price of RM0.20 per Issue Share are expected to be used in the manner as set out below:-

| Details of utilisation | Estimated timeframe for utilisation upon the Proposed Listing | Amount RM'000 | Percentage of gross proceeds % |
|---|---|---|---|
| Setting up 2 fire rated door assembly lines*1 | Within 6 months | 413 | 12.91 |
| Construction of a mud cooler system*2 | Within 12 months | 730 | 22.81 |
| Working capital*3 | Within 18 months | 757 | 23.65 |
| Estimated listing expenses*4 | Within 3 months | 1,300 | 40.63 |
| **Total** | | **3,200** | **100.00** |

**Notes:-**

*1 As part of our installation and maintenance of oilfield equipment, we currently supply fully assembled fire rated doors. At this juncture, we purchase pre-assembled complete fire rated door sets from our suppliers to be installed at our customers' sites and we are not involved in the assembly of fire rated doors. Given that our Group has secured 3 fire rated door contracts in October 2020 from PETRONAS Carigali Sdn Bhd with contract duration of 5 years, it is the intention of our Group to assemble fire rated doors in-house to improve the profit of our Group's supply of fire rated doors moving forward.

We intend to set up 2 fire rated door assembly lines at our workshop facility yard at Teluk Kalong, Kemaman, Terengganu. Upon setting up the assembly lines, we will procure the parts and components for fire rated door accessories, which include panic bars and ironmongery (i.e. hinges and locksets) in bulk from our suppliers. We will then assemble the fire rated door accessories at our assembly lines before they are deployed and installed with the fire rated door at our customers' sites. By undertaking the assembly in-house, we expect to improve our cost control and thus profit margins with respect to our supply of fire rated doors. We also anticipate that we will have better control over the lead time between the placement of orders by our customers and delivery of fire rated doors.

## 2. DETAILS OF OUR PROPOSED LISTING (CONT'D)

We expect to commence setting up the 2 fire rated door assembly lines upon the Proposed Listing and to have the assembly lines operational by the second quarter of 2022. The fire rated door assembly lines will occupy an existing area of approximately 2,000 square feet within our workshop facility yard at Teluk Kalong, Kemaman, Terengganu. For avoidance of doubt, no approvals from any parties/ authorities are required and our Company's existing workforce shall be utilised for setting up the assembly lines.

In this respect, we have allocated approximately RM0.41 million of the proceeds for the acquisition of necessary machinery and equipment for the 2 fire rated door assembly lines, an estimated breakdown of which is as follows:-

| Details of machinery/ equipment | Quantity | Approximate unit price[*1] RM'000 | Total price RM'000 |
|---|---|---|---|
| Special toolbox | 2 | 20 | 40 |
| Heavy duty working & assembly table station | 2 | 25 | 50 |
| Metal laser labelling/ embossing printer machine | 1 | 15 | 15 |
| Heavy duty air compressor | 1 | 90 | 90 |
| Welding machine | 1 | 25 | 25 |
| Laser cutting machine | 1 | 25 | 25 |
| Storage racking system | 6 | 3.5 | 21 |
| Sealing machine | 1 | 2 | 2 |
| Stretch wrapping machine | 1 | 30 | 30 |
| Hydraulic torque set | 1 | 65 | 65 |
| Table stand drilling & tapping machine | 1 | 10 | 10 |
| Table stand grinding machine | 1 | 10 | 10 |
| Precision tool set | 3 | 10 | 30 |
| **Total** | | | **413** |

**Note:-**

[*1] Approximate unit prices are based on quotations received by our Company.

Please refer to **Section 4.11 (i)** of this Information Memorandum for more details on our future plans in relation to the set up of 2 fire rated door assembly lines. If the actual expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual expenses are lower than budgeted, the excess will be used for working capital purposes.

[*2] Under our provision of installation and maintenance of oilfield equipment business segment, we have secured an umbrella contract in May 2018 from PETRONAS Carigali Sdn Bhd, which is valid until May 2023, for the supply of drilling fluids and associated services for petroleum arrangement contractors. Under this umbrella contract (which has no fixed value), PETRONAS Carigali Sdn Bhd has pre-qualified us along with other service providers to provide the abovementioned services as and when requested by PETRONAS Carigali Sdn Bhd over the umbrella contract duration. Our customer may issue work orders for services under the umbrella contract and we will then submit a tender for each work order, and compete with the other pre-qualified service providers to secure the work order.

The work orders under the umbrella contract may involve, amongst others, the installation and supply of a mud cooler system on a rental basis for a fixed duration at our customers' drilling sites. For information purposes, a mud cooler system is essential to reduce the temperature of the drilling fluids and to help provide a safer drilling environment during drilling activities. We intend to construct and own a mud cooler system to improve the competitiveness of our tenders for work orders involving the installation and supply of a mud cooler system. Owning a mud cooler system as compared to renting is expected to improve the competitiveness of our bid prices as we would not need to factor in rental costs for the mud cooler system.

## 2. DETAILS OF OUR PROPOSED LISTING (CONT'D)

We intend to commence construction of the mud cooler system within 1 month of the Proposed Listing and to complete construction by the fourth quarter of 2022. For avoidance of doubt, no approvals from any parties/ authorities are required for the construction of the mud cooler system and our Company's existing workforce will be utilised to construct the mud cooler system. In this respect, we have earmarked approximately RM0.73 million of the proceeds to finance the acquisition of necessary equipment for the mud cooler system, an estimated breakdown of which is set out below:-

| **Details of equipment** | **Quantity** | **Approximate unit price[*1] RM'000** | **Total price RM'000** |
|---|---|---|---|
| 2 sets of heat exchanger plates | 1 | 320 | 320 |
| Skid base – mud cooler | 1 | 200 | 200 |
| Skid base – pumping centrifugal pump | 1 | 15 | 15 |
| Skid base – suction submersible pump | 1 | 15 | 15 |
| Centrifugal pump | 1 | 75 | 75 |
| Submersible pump | 1 | 75 | 75 |
| Electrical control panel | 1 | 20 | 20 |
| Lifting gears | 1 lot | 10 | 10 |
| **Total** | | | **730** |

**Note:-**

*1 Approximate unit prices are based on quotations received by our Company.

Please refer to **Section 4.11 (ii)** of this Information Memorandum for more details on our future plans to construct and own a mud cooler system. If the actual expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual expenses are lower than budgeted, the excess will be used for working capital purposes.

*3 Our working capital requirements are expected to increase in tandem with our business strategies and future plans as described in **Section 4.11** of this Information Memorandum. Thus, we expect to utilise approximately RM0.76 million of the proceeds for our working capital, as follows:-

| **Details** | **Amount RM'000** |
|---|---|
| General overheads and administrative expenses – includes, but is not limited to, defrayment of operational expenses such as payment of staff related expenses, office supplies and expenses consisting of utility charges, office maintenance, office rental, printing and stationeries, quit rent and other upkeep of office expenses as well as other operating expenses. | 757 |
| **Total** | **757** |

The exact breakdown of the utilisation for working capital requirements is subject to our operational requirements at the time of utilisation and as such can only be determined at a later stage.

The proposed utilisation of RM0.76 million for our working capital requirements will improve our cash and bank balances from approximately RM5.01 million to RM5.77 million (based on our Group's audited cash and bank balances as at 31 December 2020). This additional working capital allocation would enhance our cash flow position and provide the Board with greater flexibility to manage its working capital requirements without relying on bank borrowings and incurring interest costs.

*4 The proceeds allocated for our listing expenses include professional fees, placement fees, regulatory fees and other miscellaneous expenses in connection with our Proposed Listing, a breakdown of which is as follows:-

| **Estimated listing expenses** | **Amount RM'000** |
|---|---|
| Professional fees (including fees for the Approved Adviser, Due Diligence Solicitors, Independent Market Researcher, Reporting Accountants and other professional advisers) | 1,095 |
| Regulatory fees | 20 |
| Placement fees | 65 |
| Other miscellaneous expenses in connection with our Proposed Listing | 120 |
| **Total** | **1,300** |

If the actual expenses are higher than estimated, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual expenses are lower than estimated, the excess will be used for our working capital requirements.

After the listing of our Shares on the LEAP Market, we intend to place the proceeds raised from the Proposed Placement (including accrued interest, if any) or the balance thereof as deposits with licensed financial institutions or short-term money market instruments prior to the utilisation of the proceeds for the above purposes.

### 2.7 Approvals required, conditions and undertakings

#### 2.7.1 Approvals required

The listing of and quotation for our entire enlarged share capital on the LEAP Market on Bursa Securities is subject to the following:-

(i) approval-in-principle from Bursa Securities for the listing of and quotation for our Shares; and

(ii) the successful completion of the Proposed Placement.

#### 2.7.2 Details of moratorium and undertakings

In compliance with Rule 3.07 of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Promoters as follows:-

(i) the moratorium applies to the Promoters' entire shareholdings for a period of 12 months from the date of admission of Steel Hawk to the LEAP Market ("**First 12 Months Moratorium**"); and

(ii) upon expiry of the First 12 Months Moratorium, we must ensure that our Promoters' aggregate shareholdings amounting to at least 45% of the total number of issued shares of Steel Hawk remain under moratorium for a further period of 36 months ("**Second 36 Months Moratorium**").

Details of our Shares held directly by our Promoters which will be subject to moratorium are as follows:-

| | Shares under the First 12 Months Moratorium | | Shares under the Second 36 Months Moratorium | |
|---|---|---|---|---|
| **Promoters** | **No. of Shares** | **%[*1]** | **No. of Shares** | **%[*1]** |
| Dato' Sharman | 70,559,980 | 44.10 | 35,279,990 | 22.05 |
| Radiant Capital[*2] | 73,440,020 | 45.90 | 36,720,010 | 22.95 |
| **Total** | **144,000,000** | **90.00** | **72,000,000** | **45.00** |

**Notes:-**

[*1] Based on our enlarged share capital comprising 160,000,000 Shares after the Proposed Placement.

[*2] Radiant Capital is currently held by Salimi Bin Khairuddin and Khairul Nazri Bin Kamarudin with equity interest of 61.0% and 39.0%, respectively.

Our Promoters have provided written undertakings that they will not sell, transfer or assign their respective shareholdings in Steel Hawk in compliance with the First 12 Months Moratorium and Second 36 Months Moratorium.

In addition, all the shareholders of Radiant Capital, namely Salimi Bin Khairuddin and Khairul Nazri Bin Kamarudin, have provided written undertakings that they will not sell, transfer or assign their securities in Radiant Capital during the abovementioned moratorium period stipulated in Rule 3.07 of the Listing Requirements.

### 2.7.3 Undertakings in relation to the Proposed Placement

(i) UOBKH had obtained a waiver from Bursa Securities from compliance with Rule 3.10(1) of the Listing Requirements. As such, all monies received from the Sophisticated Investors pursuant to the subscription of our Shares will be held in trust by UOBKH;

(ii) Steel Hawk and UOBKH undertake that all monies deposited and held in trust by UOBKH will not be withdrawn until the date of listing of our Shares on the LEAP Market of Bursa Securities; and

(iii) Steel Hawk undertakes to forthwith repay within 14 days without interest all monies received from the Sophisticated Investors if:

    (a) the Proposed Listing does not take place within 6 months from the date of Bursa Securities' approval for the Proposed Listing on the LEAP Market of Bursa Securities or such further extension of time as Bursa Securities may allow ("**Period**"); or

    (b) the Proposed Listing is aborted by Steel Hawk.

    In such event, the monies will be repaid within 14 days from the end of the Period or the date when we notify Bursa Securities of our decision to abort our Proposed Listing. Should we fail to do so, in addition to our Company's liabilities, our Board shall be jointly and severally liable to repay such money with interest at the rate of 10% per annum from the end of the Period or such other rate as Bursa Securities may prescribe.

## 2. DETAILS OF OUR PROPOSED LISTING (CONT'D)

### 2.8 Dividend policy

It is our Board's policy to recommend and distribute minimum dividends of 30.0% of our annual PAT attribution to shareholders of our Company. This will allow our shareholders to participate in our Group's profits. Any final dividends declared are subjected to the approval of our shareholders at our annual general meeting.

Our ability to pay dividends or make other distributions to our shareholders is subject to various factors such as having profits and excess funds not required to be retained to fund our working capital requirements. Our Board will also take into consideration, amongst others, the following factors when recommending dividends:-

(i) the availability of adequate distributable reserves and cash flow;

(ii) our operating cash flow requirements and financing commitment;

(iii) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans;

(iv) any material impact of tax laws and other regulatory requirements; and

(v) the prior approval from our bankers, if any.

A summary of the dividends declared and paid by Steel Hawk Engineering for the past 2 financial years up to the FYE 31 December 2020 is set out below:-

| | Dividend per ordinary share RM | Total amount RM'000 | Date of payment |
|---|---|---|---|
| **FYE 31 December 2020** | | | |
| Interim 2020 ordinary | 0.80 | 1,200 | 15 June 2020 |
| Interim 2020 ordinary | 0.15 | 225 | 12 November 2020 |
| Interim 2020 ordinary | 0.29 | 433 | 31 December 2020 |
| | | **1,858** | |
| **FYE 31 December 2019** | | | |
| - | - | - | - |

Premised on the above, for the FYE 31 December 2020, Steel Hawk Engineering had declared and paid total dividends of approximately RM1.24 per ordinary share in Steel Hawk Engineering, amounting to approximately RM1.86 million based on the total number of 1,500,000 ordinary shares in Steel Hawk Engineering. There was no dividends declared and paid by Steel Hawk Engineering for the FYE 31 December 2019.

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## 3. INFORMATION ON OUR GROUP

### 3.1 Background and history

**Incorporation of our Group**

Our Company was incorporated in Malaysia on 29 December 2020 as a private limited company under the name of Steel Hawk Sdn Bhd. On 8 July 2021, we were converted into a public limited company for the purposes of the Proposed Listing.

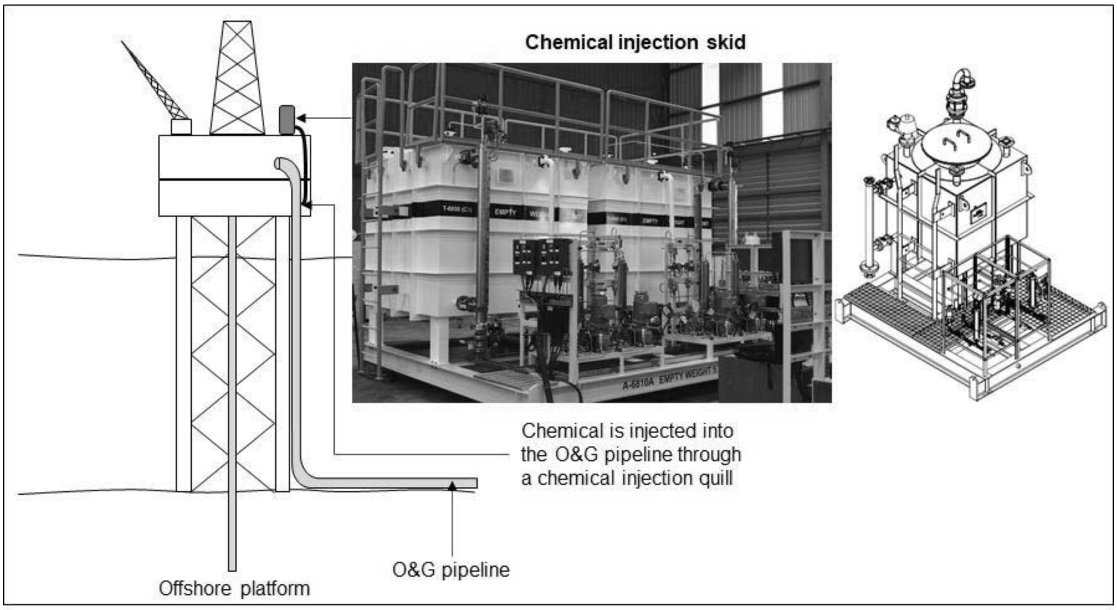
Our Company is currently an investment holding company and through our subsidiary, i.e. Steel Hawk Engineering, we are primarily involved in the provision of EPCC services for chemical injection skids and improvement/ maintenance of topside O&G facilities. Over the years, we have progressively expanded beyond our expertise in the improvement/ maintenance of pipelines to include the installation and maintenance of oilfield equipment in topside O&G facilities (e.g. pig trap system, fire rated doors or oil spill recovery equipment) as well as the supply of such oilfield equipment and their parts and components. Please refer to **Sections 4.1** and **8.2.2** of this Information Memorandum for further details on our business activities and their respective revenue contributions to our Group.

Our Group's history can be traced back to the incorporation of Steel Hawk Engineering on 3 October 2012. Within the same month, we set up our first office in Petaling Jaya, Selangor (i.e. PJ Office), which remains our head office till today. We had established this office since all our major customer's offices/ headquarters are based in Klang Valley. Our PJ Office currently houses our engineering, procurement, business development, finance and human resources departments. Dato' Sharman, Salimi bin Khairuddin and Khairul Nazri Bin Kamarudin have been responsible for building Steel Hawk Engineering's business.

**Evolution of our business over the years**

Commencement of our business – EPCC services for chemical injection skids

Our initial business activity was the provision of EPCC services for chemical injection skids at offshore exploration and production platforms. For information purpose, a chemical injection skid is an equipment installed at onshore or offshore exploration and production facilities (e.g. platforms, rigs or terminals) to inject chemicals into pipelines and O&G wells for the purpose of well cleaning, improving pipeline flow and preventing internal corrosion of pipelines. Our supply of chemical injection skids covers the full range of EPCC services which includes, amongst others, engineering works, development and preparation of drawings, procurement, fabrication, delivery to customer's site, installation, testing and commissioning of the chemical injection skids as well as related parts and components. A brief illustration of the chemical injection skid at an offshore exploration and production platform is set out below:-



In December 2012, via Steel Hawk Engineering, we obtained our PETRONAS license which enables us to supply products and services to the upstream, midstream and downstream segments of the O&G industry in accordance with the Petroleum Development Act 1974 and Petroleum Regulations 1974. For avoidance of doubt, based on the Petroleum Development Act 1974 and Petroleum Regulations 1974, a company is required to have a valid PETRONAS license in order to participate in O&G activities in Malaysia.

Subsequent to us obtaining our PETRONAS license, we secured our first contract in May 2013 from PETRONAS Carigali Sdn Bhd for the provision of EPCC services for 9 chemical injection skids at 3 offshore platforms located within PETRONAS Carigali Sdn Bhd's Sarawak Operations (SKO), with contract duration of 3 years.

In June 2014, via Steel Hawk Engineering, we registered with the CIDB as a Grade G5 contractor, allowing us to bid for and carry out civil, mechanical and electrical engineering projects not exceeding RM5 million in value. In May 2021, via Steel Hawk Engineering, we upgraded our registration with CIDB as a Grade G7 contractor, allowing us to bid for and carry out civil, mechanical and electrical engineering projects without any limit in value.

In February 2015, 2 of our Promoters, namely Salimi bin Khairuddin and Khairul Nazri bin Kamarudin, acquired 31.00% and 20.00% equity interest in Steel Hawk Engineering, respectively. Subsequent to the acquisition, Salimi bin Khairuddin, who was previously our Quality Assurance and Quality Control Manager, was appointed as Chief Operating Officer (Onshore), a position he presently assumes. Further, Khairul Nazri bin Kamarudin, who was previously our Senior Mechanical Engineer, was appointed as Chief Operating Officer (Offshore), a position he presently assumes.

In 2015, under the stewardship of Dato' Sharman, Salimi bin Khairuddin and Khairul Nazri bin Kamarudin, we secured additional contracts from PETRONAS group for projects involving the provision of EPCC services for chemical injections skids at offshore platforms located within PETRONAS Carigali Sdn Bhd's Sarawak Operations (SKO) with contract duration ranging from 6 months to 2 years.

Subsequently, in December 2015, we secured our first long term price agreement call out contract from PETRONAS Carigali Sdn Bhd to provide EPCC services for chemical injection skids to 124 offshore platforms across PETRONAS Carigali Sdn Bhd's Peninsular Malaysia Operations (PMO), Sarawak Operations (SKO) and Sabah Operations (SBO). For clarification, under a call out contract (which does not have a fixed contract value), we are engaged by the customer to provide specified services for the duration of the contract, as and when such services are required. This call out contract expired in December 2018 and the contract closure certificate was issued in May 2019. The long term price agreement call out contract differed from our other contracts at the time, as it defined all aspects of pricing for our provision of EPCC services for chemical injection skids. It was our first contract that involved PETRONAS Carigali Sdn Bhd's Peninsular Malaysia Operations (PMO) and Sabah Operations (SBO) as well as one of our longest duration contracts at the time (valid for 3 years, including a 1 year extension option which was awarded). With this contract, we expanded into Sabah and Sarawak, opening an office in Kota Kinabalu, Sabah and an operations office in Miri, Sarawak (each of our operations office comprises an office, a yard and warehouse facilities) to better cater for the growing scale of our O&G activities in East Malaysia.

In April 2017, we established an operations office in Kemaman, Terengganu, which is headed by Khairul Nazri Bin Kamarudin, who manages our offshore projects. In April 2019, we established another operations office in Kerteh, Terengganu, which is headed by Salimi Bin Khairuddin, who manages our onshore projects. Dato' Sharman currently heads our PJ Office and commutes to our other offices and clients' premises as and when required for key management and client meetings.

## 3. INFORMATION ON OUR GROUP (CONT'D)

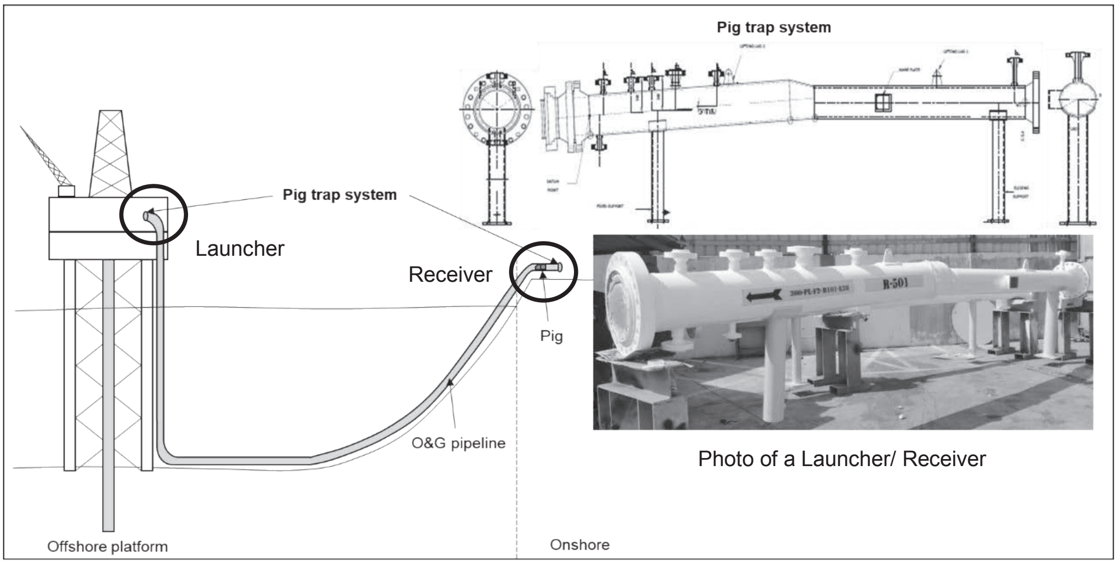
As part of our EPCC services for chemical injection skids, we fabricate and construct the chemical injection skids, related items and components as well as associated piping before the delivery of the newly fabricated chemical injection skids to our customers' sites. Initially, we had subcontracted such fabrication and construction activities to third-parties with our engineers supervising the fabrication and construction. Following the set up of our operations offices in Miri, Sarawak, Kota Kinabalu, Sabah and Kerteh, Terengganu, we began to perform our fabrication and construction activities in-house at our own premises.

Expansion of our business activities – supply, installation and maintenance of oilfield equipment

With our proven track record in the provision of EPCC services for chemical injection skids to our customers, we have over the years progressively expanded beyond our expertise in the improvement/ maintenance of pipelines to include installation and maintenance of oilfield equipment as well as supply of oilfield equipment, as part of our initiatives to provide additional value to our customers.

In July 2017, we secured our first call out contract from PETRONAS Carigali Sdn Bhd for the provision of supply, delivery, installation, maintenance and services of fire rated doors (as pictured on the left) at onshore and offshore O&G facilities across PETRONAS Carigali Sdn Bhd's Peninsular Malaysia Operations (PMO) and Sarawak Operations (SKO) with contract duration of 3 years. For clarification, fire rated doors are fittings that provide protection by slowing the transfer of heat and flames when in contact with fire and are required at our customers' onshore and offshore facilities.

In July 2018, we expanded the range of our supply of oilfield equipment as well as installation and maintenance of oilfield equipment to include pig trap systems, when we secured our first call out contract from PETRONAS Carigali Sdn Bhd involving the provision of fabrication, installation, commissioning, inspection and maintenance works of pig trap system at onshore and offshore O&G facilities across PETRONAS Carigali Sdn Bhd's Peninsular Malaysia Operations (PMO) with contract duration of 4 years. For clarification, pig trap system is used in the maintenance of pipelines and comprises a launcher and receiver enclosure door with associated equipment. It is typically installed at onshore or offshore facilities and connected to pipelines to enable the execution of pigging activity, which is an essential pipeline maintenance activity that serves to maximise production flow and mitigate internal corrosions of pipelines without interrupting production flow. A brief illustration of the pig trap system covering the onshore and offshore pipeline system is set out below:-




*Pigging activity – a pipeline maintenance service involving the use of pipeline inspection gauges or 'pigs', which are pushed along the pipeline from the launcher enclosure door until it reaches the receiver enclosure door, cleaning the pipeline along the way*

Expansion of our business activities – service provider for onshore facilities improvement/ maintenance services

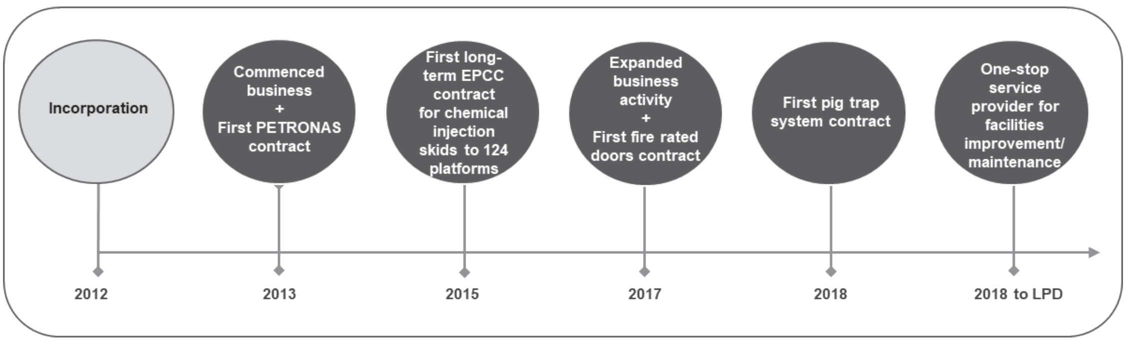
In December 2018, we secured our first call out contract from PETRONAS Carigali Sdn Bhd involving the provision of maintenance, construction and modification services for PETRONAS Carigali Sdn Bhd's onshore facilities at Kerteh, Terengganu (i.e. onshore gas terminal and onshore slug catcher). The works under this contract, which fall under our business activity of EPCC services and facilities improvement/ maintenance, include improvements and/ or modifications to existing facilities, replacement of heavily corroded or damaged structural members, handrails, gratings and piping spools, cleaning and painting of structures as well as removal, installation or modification of tubing, fittings and component parts of structures. The contract is ongoing and valid for a period of 5 years (including a 2 year extension option) until December 2023. With this contract, we have evolved and established ourselves as a service provider for onshore facilities improvement/ maintenance services offering a complete range of necessary maintenance, modifications, construction and fabrication services for such facilities.

In addition to our PETRONAS license, we are required to meet SWEC requirements for the services that we provide to our customers in Malaysia. As at the LPD, we have 290 SWEC under our PETRONAS license, with each SWEC allowing our Group to bid for and supply specific registered services and products to the O&G industry in Malaysia. Further, as at the LPD, we have 10 ongoing contracts with PETRONAS group with expiration date of up to 2025. Please refer to **Sections 4.1.1** and **4.1.2** of the Information Memorandum for further details on our secured contracts and SWEC, respectively.

Awards and achievements

We have obtained other licenses and certifications including, amongst others, our ISO certifications in 2013 from NQA, our Suruhanjaya Tenaga (ST) license in 2016 and the transition from ISO 9001:2008 to ISO 9001:2015 compliant in 2018, through Steel Hawk Engineering. We were awarded SME100 Fast Moving Companies in 2017 and between 2014 till 2018, we had obtained multiple letters of appreciation for successful completion of contracts from PETRONAS, Zero LTI Certificates for successfully implementing safety coordination in contracts with zero lost time and Outstanding Vendor Awards from PETRONAS.

In summary, we have been involved in the O&G industry in Malaysia for approximately 8 years. Over the years, we have progressively expanded the scope of our business from a service provider in the improvement/ maintenance of pipelines (i.e. EPCC services for chemical injection skids) to a broader range of O&G services covering improvement/ maintenance of topside O&G facilities, installation and maintenance of oilfield equipment and supply of oilfield equipment. A brief illustration of the key events in the history and development of our Group is depicted in the following diagram:-



## 3. INFORMATION ON OUR GROUP (CONT'D)

### 3.2 Key milestones and achievements

| Year | Key milestones/ achievements of Steel Hawk Group |
|---|---|
| 2012 | - Steel Hawk Engineering was incorporated<br>- Obtained PETRONAS license |
| 2013 | - Secured first contract from PETRONAS Carigali Sdn Bhd involving the provision of EPCC services for chemical injection skids at offshore platforms located within PETRONAS Carigali Sdn Bhd's Sarawak Operations (SKO)<br>*(Our initial scope of business activities comprised the provision of EPCC services for chemical injection skids during the period from 2013 to mid-2017)*<br>- Certified as an ISO 9001:2008 company by NQA |
| 2014 | - Registered with CIDB as a Grade G5 contractor<br>- Received 'Zero Lost Time injury' Certificate from PETRONAS. |
| 2015 | - Secured multiple contracts from PETRONAS group within the scope of EPCC services for chemical injections skids<br>- Awarded first long term price agreement contract from PETRONAS Carigali Sdn Bhd to provide EPCC services for chemical injection skids to 124 offshore platforms across PETRONAS Carigali Sdn Bhd's Peninsular Malaysia Operations (PMO), Sarawak Operations (SKO) and Sabah Operations (SBO)<br>*(Being one of our longest duration contracts at the time (was valid for 3 years) and led to Steel Hawk Engineering opening its first operations offices in Sarawak and Sabah)*<br>- Received Outstanding Vendor Award from PETRONAS<br>- Received Zero Lost Time injury Certificate from PETRONAS |
| 2016 | - Received Outstanding Vendor Award from PETRONAS |
| 2017 | - Secured first contract from PETRONAS Carigali Sdn Bhd for the provision of supply, delivery, installation, maintenance and services of fire rated doors (involved supply of oilfield equipment as well as installation and maintenance of oilfield equipment)<br>- Secured first contract from PETRONAS Carigali Sdn Bhd involving oil spill recovery equipment maintenance for Peninsular Malaysia Assets (involved supply of oilfield equipment as well as installation and maintenance of oilfield equipment)<br>*(Both contracts marked the expansion of our Group's business activities to include supply of oilfield equipment as well as installation and maintenance of oilfield equipment)*<br>- Awarded SME100 Fast Moving Companies Award by Business Media International |
| 2018 | - Awarded first contract from PETRONAS Carigali Sdn Bhd involving the provision of onshore facilities maintenance, construction and modification services (involved EPCC services and facilities improvement/ maintenance)<br>*(The contract marked the expansion of our services to include the complete range of necessary maintenance, modifications, construction and fabrication services for O&G facilities)*<br>- Awarded our first contract from PETRONAS Carigali Sdn Bhd involving, amongst others, the provision of fabrication, installation, commissioning, inspection and maintenance works of pig trap system (involved supply of oilfield equipment as well as installation and maintenance of oilfield equipment)<br>- Implemented transition from ISO 9001:2008 to ISO 9001:2015 by NQA |
| 2020 | - Secured a 5 year contract from PETRONAS Carigali Sdn Bhd for the provision of living quarters & modularized offshore buildings maintenance and fire rated doors for Peninsular Malaysia Assets, Sarawak Oil Assets and Sarawak Gas Assets (involved supply of oilfield equipment as well as installation and maintenance of oilfield equipment)<br>- Inked a memorandum of understanding with PETRONAS for the implementation of Vendor Development Program as an anchor contractor based on past performance |
| 2021 | - Awarded a one-off supply contract by SAHID Sdn Bhd of Brunei which is our first contract from the overseas market<br>- Upgraded our registration with CIDB as a Grade G7 contractor<br>- Secured a 3-year contract from PETRONAS Carigali Sdn Bhd involving oil spill recovery equipment maintenance for Peninsular Malaysia Assets (involved supply of oilfield equipment as well as installation and maintenance of oilfield equipment) |

### 3.3 Our share capital

Our share capital as at the LPD is RM4,608,001 comprising 144,000,000 Shares. As at the LPD, we do not have any outstanding warrants, options, convertible securities or uncalled capital.

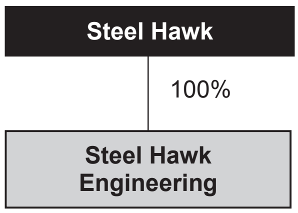
Details of the changes to our share capital since incorporation and up to the LPD are as shown below:-

| Date of allotment | No. of shares allotted | Nature of transaction | Consideration | Cumulative share capital RM |
|---|---|---|---|---|
| 3 October 2012 | 40 | Subscription of Shares | Cash | 2 |
| 9 June 2021 | 143,999,960 | Acquisition of Steel Hawk Engineering | Issued as consideration shares for the Acquisition of Steel Hawk Engineering | 4,608,001 |

Upon completion of the Proposed Listing, our enlarged issued share capital will increase to RM7,808,001 comprising 160,000,000 Shares.

### 3.4 Group structure

Steel Hawk Engineering is the wholly-owned subsidiary of our Company and our present Group structure is illustrated in the diagram below:-




The details of our subsidiary as at the LPD are set out below:-

| Subsidiary | Date and place of incorporation | Principal place of business | Issued share capital RM | Principal business activities |
|---|---|---|---|---|
| Steel Hawk Engineering | 3 October 2012 Malaysia | Malaysia | 1,500,000 | To supply, import and export of oilfield and petrochemical equipment, engineering equipment and spare parts; and to carry on the business as engineering maintenance services and mechanical pipeline engineering services for offshore and onshore for oil and gas and petrochemical industry |

## 3.5 Listing Scheme

### 3.5.1 Proposed Placement

We will undertake a proposed placement of 16,000,000 Issue Shares at the Issue Price of RM0.20 per Issue Share to selected Sophisticated Investors in conjunction with the Proposed Listing.

The Issue Shares will, upon allotment and issue, rank equally in all respects with our existing Shares, save and except that the Issue Shares will not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid where the entitlement date precedes the date of allotment of the Issue Shares.

Upon completion of the Proposed Placement, our share capital will increase to RM7,808,001 comprising 160,000,000 Shares.

### 3.5.2 Proposed Listing

Upon completion of the Proposed Placement, Steel Hawk shall be admitted to the Official List and our entire enlarged share capital of RM7,808,001 comprising 160,000,000 Shares will be listed and quoted on the LEAP Market of Bursa Securities.

## 3.6 Acquisition of Steel Hawk Engineering

In conjunction with, and as an integral part of the Proposed Listing, our Company had undertaken the Acquisition of Steel Hawk Engineering prior to the Proposed Listing.

Our Company had entered into a conditional share sale agreement dated 12 April 2021 to acquire the entire issued share capital of Steel Hawk Engineering of RM1,500,000 comprising 1,500,000 ordinary shares from the vendors (i.e. Dato' Sharman, Salimi Bin Khairuddin and Khairul Nazri Bin Kamarudin) for a purchase consideration of RM4,607,999. The purchase consideration was satisfied entirely by the issuance of 143,999,960 new Shares at an issue price of RM0.032 per Share in the manner set out below.

Pursuant to the terms of the share sale agreement, the consideration shares for Salimi Bin Khairuddin and Khairul Nazri Bin Kamarudin were issued and allotted directly to Radiant Capital. The abovementioned 143,999,960 new Shares were issued to the vendors as follows:-

| **Vendors** | **No. of ordinary shares in Steel Hawk Engineering acquired** | **Equity interest in Steel Hawk Engineering** | **Purchase consideration** | **No. of Shares issued** |
|---|---|---|---|---|
| | | **%** | **RM** | |
| Dato' Sharman | 735,000 | 49.0 | 2,257,919 | 70,559,980 |
| Salimi Bin Khairuddin | 465,000 | 31.0 | 1,428,480 | 44,639,988[*1] |
| Khairul Nazri Bin Kamarudin | 300,000 | 20.0 | 921,600 | 28,799,992[*1] |
| **Total** | **1,500,000** | **100.0** | **4,607,999** | **143,999,960** |

## 3. INFORMATION ON OUR GROUP (CONT'D)

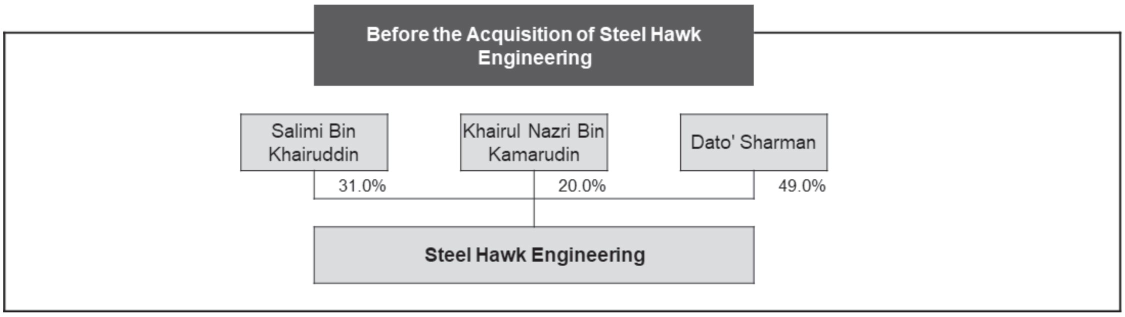
**Note:-**

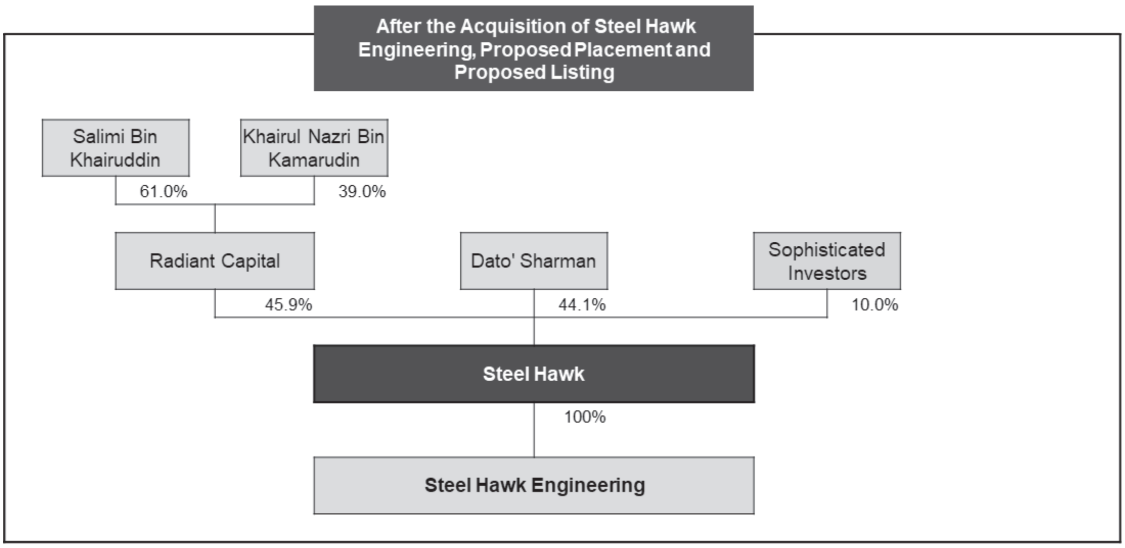
*1 The consideration shares for Salimi Bin Khairuddin and Khairul Nazri Bin Kamarudin, in an aggregate of 73,439,980 Shares, were issued and allotted directly to Radiant Capital. For the avoidance of doubt, the existing 40 Shares held by Salimi Bin Khairuddin and Khairul Nazri Bin Kamarudin were transferred to Radiant Capital prior to the completion of the Acquisition of Steel Hawk Engineering. Accordingly, the total number of Shares held by Radiant Capital upon completion of the Acquisition of Steel Hawk Engineering and as at the LPD is 73,440,020 Shares. Radiant Capital is held by Salimi Bin Khairuddin and Khairul Nazri Bin Kamarudin with equity interest of 61% and 39%, respectively.

The purchase consideration of RM4,607,999 was arrived at on a willing buyer-willing seller basis and after taking into account the audited NA of Steel Hawk Engineering as at 31 December 2020 of RM4,479,321. Accordingly, the purchase consideration of RM4,607,999 represents a premium of RM128,678 or approximately 2.87% to the audited NA of Steel Hawk Engineering as at 31 December 2020 of RM4,479,321. The Acquisition of Steel Hawk Engineering was completed on 9 June 2021 and Steel Hawk Engineering became a wholly-owned subsidiary of our Company.

Upon completion of the Acquisition of Steel Hawk Engineering, the issued share capital of our Company had increased to RM4,608,001 comprising 144,000,000 Shares.

Our Group structure before the Acquisition of Steel Hawk Engineering and after the Acquisition of Steel Hawk Engineering, Proposed Placement and Proposed Listing is illustrated below:-



# 4. BUSINESS OVERVIEW

## 4.1 Our principal activities and business model

Our Group is principally involved in the provision of onshore and offshore support services for the O&G industry, where we are primarily involved in the following business activities:-

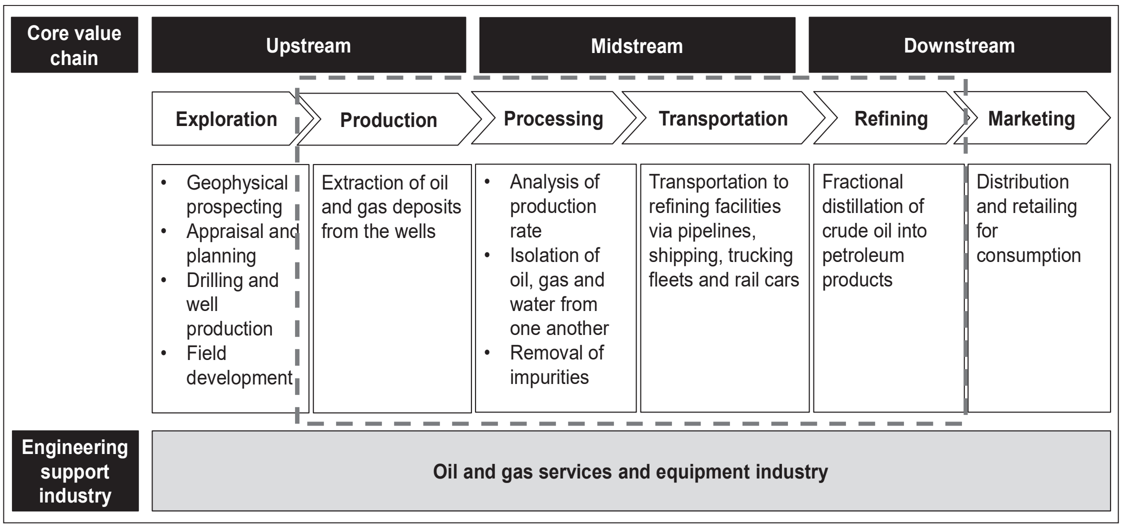
| O&G support services | | |
|---|---|---|
| O&G support services | EPCC services and facilities improvement/ maintenance<br>Revenue[*1]: RM11.95 mil (60.14%) | EPCC services for chemical injection skids and improvement/ maintenance of topside O&G facilities (i.e. onshore O&G terminal and/ or offshore production platform) |
| | Installation and maintenance of oilfield equipment<br>Revenue[*1]: RM5.64 mil (28.38%) | Installation, repair, refurbishment and replacement of oilfield equipment (e.g. pig trap system, fire rated doors or oil spill recovery equipment) in topside O&G facilities (i.e. onshore O&G terminals and/ or offshore production platform) |
| | Supply of oilfield equipment<br>Revenue[*1]: RM2.28 mil (11.48%) | Supply of oilfield equipment (e.g. pig trap system, fire rated doors or oil spill recovery equipment), as well as their parts and components, undertaken through purchase orders on an ad hoc basis (involves the standalone supply of oilfield equipment to our customers without any installation or maintenance provided) |

**Note:-**

[*1] Based on our Group's audited combined financial statements for the FYE 31 December 2020.

As highlighted in the diagram above, EPCC services and facilities improvement/ maintenance has been our main revenue contributor in the past 2 financial years up to the FYE 31 December 2020. For the FYE 31 December 2020, EPCC services and facilities improvement/ maintenance, installation and maintenance of oilfield equipment and supply of oilfield equipment contributed 60.14%, 28.38% and 11.48% of our Group's total revenue, respectively.

We operate within the O&G services and equipment industry where our business activities are to support the upstream, midstream and downstream segments of the O&G industry. We upkeep pipelines and topside facilities to ensure the efficiency of crude oil and gas production, and functionality and safety of the topside facilities. As such, our services are required by our customers despite fluctuating crude oil and gas prices, including when their prices are low. The value chain of the O&G industry is depicted below:-




**Note:-**

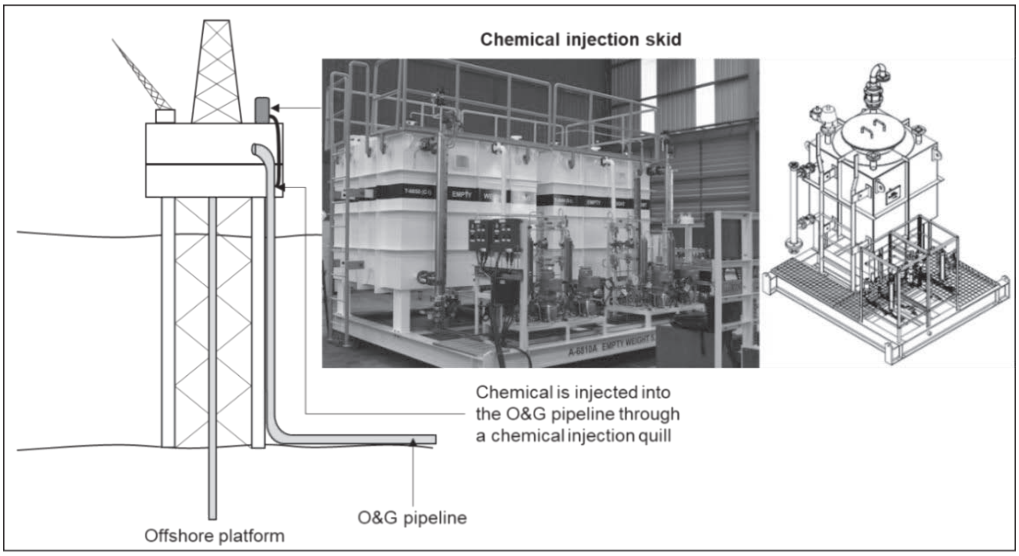
- [dashed box] denotes the segments of the O&G industry value chain which our Group supports.

We serve the O&G industry in Malaysia where our services and products are primarily offered to PETRONAS group (i.e. including, amongst others, PETRONAS Carigali Sdn Bhd, PETRONAS Dagangan Berhad and PETRONAS Gas Berhad) directly, where we are the main contractor of the contracts we secured. Nevertheless, we possess the expertise to work with other main contractors or vendors of PETRONAS group in the O&G industry.

**(A) EPCC services and facilities improvement/ maintenance**

**<u>EPCC services for chemical injection skids</u>**

We are currently involved in the provision of EPCC services for chemical injection skids in offshore O&G exploration and production facilities. Chemical injection skids is an equipment installed at onshore or offshore exploration and production facilities (e.g. platforms, rigs or terminals) to inject various chemicals, usually as dilute solutions at precise amount and pressure into piping and O&G wells for the purpose of well cleaning, improving pipeline flow and preventing internal corrosion of pipelines. Chemical injection skids comprise chemical tank, valves, piping and tubing, chemical injection pump, injection rate gauge, pressure gauge, chemical injection quill, amongst others. An illustration of the chemical injection skid within the O&G exploration and production facilities is as follows:-




We leverage on our engineering capabilities and network of suppliers (we also rely on subcontractors for specialised services, i.e. fabrication and transportation of chemical injection skids) to offer complete EPCC services for chemical injection skids to our customers. Our EPCC services for chemical injection skids include the following scope:-

| EPCC services | Description |
|---|---|
| Site survey and inspection | We conduct site surveys where we assess current condition of chemical injection skids at customers' sites. We make recommendations on the maintenance or replacement of chemical injection skids, as well as their parts and components. |
| Design | We design and engineer customised chemical injection skids with considerations of the condition of O&G exploration and production facilities and technical specification provided by our customers, amongst others, in order to optimise the chemical injection process. |

| EPCC services | Description |
|---|---|
| Development of engineering drawings | We develop engineering drawings (i.e. general arrangement drawing for equipment, piping isometric drawing and installation layout drawing) based on the technical specifications provided by our customers prior to commencement of procurement, fabrication and construction, as well as as-built drawings upon commissioning. |
| Procurement of supplies | We procure the necessary parts and components from our list of pre-approved suppliers (i.e. our principals as set out in **Section 4.1.3** of this Information Memorandum). |
| Fabrication and construction | The fabrication, blasting and painting of chemical tanks, piping and tubing are outsourced to our subcontractors, under our management and supervision. The assembling of chemical injection skids is conducted in-house by our employees upon completion of fabrication, blasting and painting works by our subcontractors. |
| Erection and installation | We remove existing chemical injection skids and install new chemical injection skids at our customers' sites. |
| Pre-testing, pre-commissioning, testing, and commissioning | We conduct pre-testing and pre-commissioning activities of chemical injection skids prior to installation. Upon installation, we conduct testing and commissioning activities with representatives of our customers at our customers' sites. |
| Preservation of existing chemical injection skid | We also conduct preservation of existing chemical injection skid which includes flushing of residue chemical inside the skid, nitrogen purging and line isolation on the existing chemical skid. |

**<u>Facilities improvement/ maintenance of topside O&G facilities</u>**

As set out in **Section 3.1** of this Information Memorandum, we had initially provided EPCC services for chemical injection skids (an equipment installed at our customers' onshore or offshore exploration and production facilities for improvement/ maintenance of pipelines).

Over the years, with our working relationships and track record in the provision of EPCC services for chemical injection skids to our customers, we were able to expand our services beyond our expertise in the improvement/ maintenance of pipelines to include facilities improvement/ maintenance of topside O&G facilities, as part of our initiatives to provide additional value to our customers.

Our facilities improvement/ maintenance of topside O&G facilities includes, amongst others, the periodical or ad-hoc replacement of heavily corroded or damaged structural members, handrails, gratings and piping spools, cleaning and painting of structures as well as removal, installation or modification of tubing, fittings and component parts of structures.

A further description of the scope of our facilities improvement/ maintenance is set out below:-

| Facilities improvement/ maintenance | Description |
|---|---|
| Inspection | We conduct periodical or ad-hoc inspections where we identify damaged or corroded structures and fittings as well as defective pipes, tubing and electrical cables. |
| Development of shop drawings, fabrication drawings and as-built drawings | We develop shop drawings and fabrication drawings based on the approved for construction drawings and technical specifications provided by our customers prior commencement of procurement, fabrication and construction, as well as as-built drawings upon commissioning. |
| Procurement of supplies | We procure the necessary parts and components from our list of pre-approved suppliers (i.e. our principals as set out in **Section 4.1.3** of this Information Memorandum). |
| Fabrication and construction | The fabrication, blasting and painting of structures, pipes, tubing and fittings are outsourced to our subcontractors, while we manage and supervise all aspects of the fabrication, blasting and painting. |
| Erection and replacement of structures, fittings, pipes, tubing and electrical cables | We remove the damaged structures and fittings as well as defective pipes, tubing and electrical cables and install the newly fabricated structures, fittings, pipes, tubing and electrical cables at our customers' sites on-ad-hoc basis, and during major shutdowns and turnarounds. |
| Pre-testing, pre-commissioning, testing, and commissioning | We conduct pre-testing and pre-commissioning activities prior to installation. Upon installation, we conduct testing and commissioning activities with representatives of our customers at our customers' sites. |
| Rigging and scaffolding | We provide rigging and scaffoldings, which are temporary structures built to allow access for replacement, testing and commissioning activities. |
| Civil, electrical and instrumentation works | We provide civil, electrical and instrumentation works, as and when required by our customers. |

### (B) Installation and maintenance of oilfield equipment

Since 2017, we have expanded beyond our expertise in the improvement/ maintenance of pipelines to include installation and maintenance of oilfield equipment pursuant to our Group securing our first call out contract for the provision of supply, delivery, installation, maintenance and services of fire rated doors in July 2017 (further details of the specific oilfield equipment that we are currently involved are set out in **Section 4.1(C)** of this Information Memorandum).

We are involved in the installation and maintenance (i.e. repair, refurbishment and replacement) of specific oilfield equipment in topside O&G facilities, which is complementary with our other business activities. Our installation and maintenance of oilfield equipment includes the supply of the oilfield equipment to be installed and maintained at customers' sites.

We leverage on our engineering capabilities, as well as suppliers to offer installation and maintenance of oilfield equipment to our customers, which include the following scope:-

| Installation and maintenance of oilfield equipment | Descriptions |
|---|---|
| Oilfield equipment survey | We conduct periodical or ad-hoc surveys of existing oilfield equipment at our customers' site where we identify damaged parts and components as well as defective oilfield equipment. |
| Repair and refurbishment | We repair and refurbish oilfield equipment if the damages are able to be repaired or refurbished. |
| Procurement of oilfield equipment as well as parts and components | If the oilfield equipment are able to be repaired or refurbished, we procure the necessary parts and components from our list of pre-approved suppliers (i.e. our principals as set out in **Section 4.1.3** of this Information Memorandum) for repair or refurbishment. If the oilfield equipment are unable to be repaired or refurbished, we source and procure replacement oilfield equipment, either as complete assembled or as separate parts and components for in-house assembly, from our suppliers, based on the required technical specifications, to be installed at our customers' site. |
| Replacement of parts, components and oilfield equipment | We remove the damaged parts, components and oilfield equipment, and install with the repaired/ refurbished/ new parts, components, and oilfield equipment. |

**(C) Supply of oilfield equipment**

At present, we are also involved in the standalone supply of oilfield equipment to our customers which we undertake through purchase orders on an ad-hoc basis. For clarification, unlike our installation and maintenance of oilfield equipment, supply of oilfield equipment only involves the delivery of specific oilfield equipment and/ or parts and components to embarkation points designated by our customers (e.g. supply bases or ports) without any installation or maintenance provided at our customers' facilities. The oilfield equipment and their parts and components are procured from our list of pre-approved suppliers (i.e. our principals as set out in **Section 4.1.3** of this Information Memorandum) as complete assembled oilfield equipment, or as separate parts and components for in-house assembly prior to delivery.

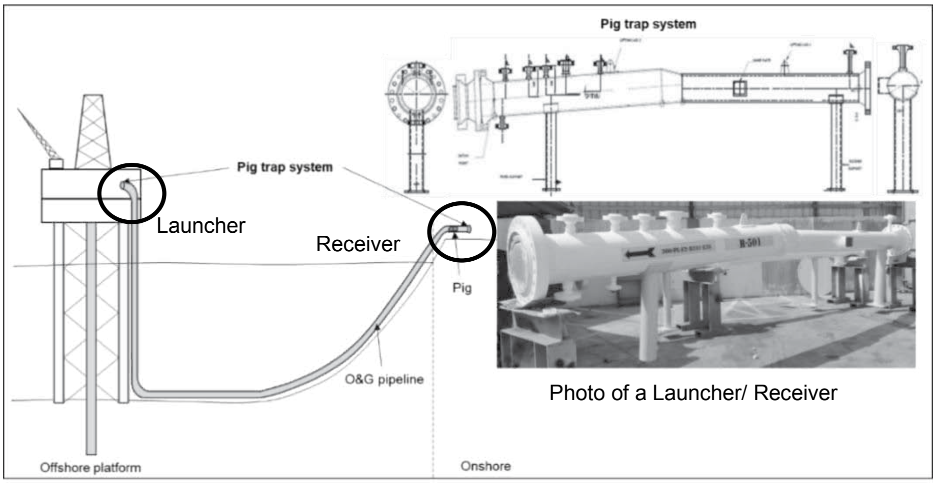
The specific type of oilfield equipment that we are currently involved mainly comprise of the following:-

**(i) Pig trap system**

A pig trap system is used in the maintenance of pipelines and comprises a launcher and receiver enclosure door with associated equipment. It is typically installed at onshore or offshore facilities and connected to pipelines to enable the execution of pigging activity, which is an essential pipeline maintenance activity that serves to maximise production flow and mitigate internal corrosions of pipelines without interrupting production flow.

Pig trap system comprises launcher and receiver enclosure doors, major barrel, reducer, minor barrel and its associated equipment such as pigging related valves, drain line piping, vent line piping, kicker/bypass line piping, equalizing piping, pig signaller (intrusive and/or non-intrusive type), pressure gauge, and temperature gauge.

We assemble the pig trap system in-house. The barrels are fabricated by our subcontractors and the other parts and components are sourced from our suppliers.




*Pigging activity – a pipeline maintenance service involving the use of pipeline inspection gauges or 'pigs', which are pushed along down the pipeline from the launcher enclosure door until it reaches the receiver enclosure door, cleaning the pipeline along the way*

**(ii) Fire rated doors**

Fire rated doors are fittings that provide protection by slowing the transfer of heat and flames when in contact with fire.

We offer single leaf, double leaf, sliding and customised onshore fire rated doors with 15 minutes, 1-hour and 2-hour fire ratings, as well as offshore fire rated doors with 2-hour fire rating. All our fire rated doors are in compliance to requirements by SIRIM and BOMBA, Universal Building By-Law 1984, International Maritime Organisation and SOLAS & PETRONAS Technical Standard (PTS) 11.22.04: Design of Offshore Living Quarters.

We procure complete assembled fire rated doors as well as their parts and components from our suppliers to be installed at our customers' sites. As part of our future plans, we intend to set up 2 fire rated door assembly lines at our workshop facility yard at Teluk Kalong, Kemaman, Terengganu which would allow us to assemble fire rated doors in-house as set out in **Section 4.11** of this Information Memorandum.

**(iii) Oil spill recovery equipment**

Oil spill recovery equipment includes oil booms, skimmers and absorbents that are used to clean up and control ocean oil spills.

We procure complete assembled oil spill recovery equipment, as well as parts and components from our suppliers to be installed and/or replaced at our customers' sites.

### 4.1.1 Our contracts

**Call out contracts**

We generally provide our abovementioned O&G support services to customers through call out contracts with tenures ranging from 3 to 5 years, which include options for extension of up to 2 years. Under a call out contract (which does not have a fixed contract value), we are engaged by the customer through work orders to provide specified services for the duration of the contract, as and when such services are required. As at the LPD, our ongoing call out contracts are as follows:-

| Description of contracts | Business activities involved[*1] | Customer(s) | Contract validity period |
|---|---|---|---|
| Provision of onshore facilities maintenance, construction and modification services (Package B – Peninsular Malaysia Asset, Terengganu Gas Terminal and Onshore Slug Catcher) | (i) | PETRONAS Carigali Sdn Bhd | 12 December 2018 – 11 December 2023 |
| Provision of engineering, procurement, fabrication, installation, commissioning, inspection and maintenance works of pig trap system (Package A – Sarawak Oil Assets) | (ii), (iii) | PETRONAS Carigali Sdn Bhd | 23 July 2018 – 22 July 2022[*2] |
| Provision of engineering, procurement, fabrication, installation, commissioning, inspection and maintenance works of pig trap system (Package B – Sarawak Gas Assets) | (ii), (iii) | PETRONAS Carigali Sdn Bhd | 23 July 2018 – 22 July 2022[*2] |
| Provision of engineering, procurement, fabrication, installation, commissioning, inspection and maintenance works of pig trap system (Package D – Peninsular Malaysia Assets) | (ii), (iii) | PETRONAS Carigali Sdn Bhd | 23 July 2018 – 22 July 2022[*2] |
| Provision of living quarters and modularised offshore buildings maintenance and fire rated doors (Package B1 – Peninsular Malaysia Asset) | (ii), (iii) | PETRONAS Carigali Sdn Bhd | 28 October 2020 – 27 October 2025 |

| Description of contracts | Business activities involved*1 | Customer(s) | Contract validity period |
|---|---|---|---|
| Provision of living quarters and modularised offshore buildings maintenance and fire rated doors (Package B3 – Sarawak Oil) | (ii), (iii) | PETRONAS Carigali Sdn Bhd | 28 October 2020 – 27 October 2025 |
| Provision of living quarters and modularised offshore buildings maintenance and fire rated doors (Package B4 – Sarawak Gas) | (ii), (iii) | PETRONAS Carigali Sdn Bhd | 28 October 2020 – 27 October 2025 |
| Provision of oil spill recovery equipment maintenance | (ii), (iii) | PETRONAS Carigali Sdn Bhd | 21 March 2021 – 20 March 2024 |
| Provision of emergency spill response services and emergency spill preventive equipment maintenance | (ii), (iii) | Pengerang Petrochemical Company Sdn Bhd | 31 August 2021 – 30 August 2023 |
| Provision of emergency spill response services and emergency spill preventive equipment maintenance | (ii), (iii) | Pengerang Refining Company Sdn Bhd | 31 August 2021 – 30 August 2023 |

**Umbrella contract**

In addition to the ongoing call out contracts listed above, we have also secured an umbrella contract with PETRONAS Carigali Sdn Bhd. Through this umbrella contract, we are able to participate in closed bidding activities amongst participating contractors, and successful bidding would enable us to secure work orders under the umbrella contract. The description of the umbrella contract is as follows:-

| Description of contracts | Business activities involved*1 | Customer(s) | Contract validity period |
|---|---|---|---|
| Provision of drilling fluids and associated services for petroleum arrangement contractors | (ii) | PETRONAS Carigali Sdn Bhd | 30 May 2018 – 29 May 2023 |

**Notes:-**

*1 (i) refers to EPCC services and facilities improvement/ maintenance; (ii) refers to installation and maintenance of oilfield equipment; and (iii) refers to supply of oilfield equipment

*2 The initial contract period was 3 years including a 1 year extension which was exercised by PETRONAS Carigali Sdn Bhd.

As at the LPD, we have yet to participate in any closed bidding activities or secure work orders under the umbrella contract. Please refer to **Section 4.11** of this Information Memorandum for details on our plan to construct and own a mud cooler system to capitalise on this umbrella contract. We will charge our customers a fixed daily rate for the usage of the mud cooler system.

### 4.1.2 Our SWEC

We are required to register SWEC with PETRONAS in order to participate in tender activities and supply the registered services and products to the O&G industry in Malaysia. As at the LPD, we have 290 SWEC under our PETRONAS license.

### 4.1.3 Our principals

In line with the initiative of PETRONAS to empower local suppliers by allowing the transference of technology from overseas suppliers to local suppliers, PETRONAS only allows foreign companies to participate in tenders in the Malaysian O&G industry by, amongst other methods, appointing a local company that is an existing PETRONAS licensed vendor as a local agent. As such, we had directly engaged with several overseas suppliers to supply their parts and components for our oilfield equipment. These overseas suppliers are the brand owners of the parts and components and are also known as the principals.

As at the LPD, we have 8 principals, as follows:-

| Principals | Current validity period | Parts and components sourced |
|---|---|---|
| Petrokens Engineering & Services (P) Ltd | 23 March 2021 – 22 March 2026 | Chemical injection skid, pig trap system accessories, control panel, hydraulic power unit, waste water treatment equipment, vapour compression, mercury removal unit, amongst others |
| Aitkens Manufacturing Inc | 16 January 2021 – 15 January 2022 | Strainer, nozzle, venturi tubes, scrapper launcher and receiver for pig trap system |
| Drinkwater Products Inc | 11 January 2021 – 10 January 2024 | Gaskets, pig trap system accessories, metering, corrosion monitoring equipment, amongst others |
| Rexal Tubes | 15 December 2020 – 14 December 2025 | Pipes, tubular, fitting, flanges, beams and columns, amongst others |
| Vinpra Engineering India Pvt Ltd | 18 January 2021 – 17 January 2024 | Valves, manifolds, fittings, tubing, control panel, cables, amongst others |
| Rapid Valves Pvt Ltd | 18 January 2021 – 17 January 2024 | Valves |
| VP Engineers | 9 March 2018 – 8 March 2023 | Pipeline cleaning pig, end closure of pig trap system, pig signallers |
| Titan Subsea Innovations LLC | 28 May 2021 – 22 May 2023 | Specialised connectors & joints, pipeline leak repair clamp and mechanical end connector |

### 4.1.4 Warranty

We typically provide warranty against defects for a period of between 12 months and 36 months, as stipulated in the contracts. Upon receiving report on defects identified by our customer during the warranty period, our technical personnel will investigate and rectify the defects.

The parts and components that we source from our suppliers are provided with warranty period of typically 12 months from our suppliers. Thus, we practice back-to-back warranty where we obtain warranty claims from our suppliers if there are defects in any of the parts and components in the oilfield equipment installed at our customer's site.

### 4.1.5 Revenue segmentation

The breakdown of our revenue by business activities for the FYE 31 December 2019 and FYE 31 December 2020 is as follows:-

| Business activity | FYE 31 December 2019 RM'000 | % | FYE 31 December 2020 RM'000 | % |
|---|---|---|---|---|
| EPCC services and facilities improvement/ maintenance | 12,131 | 59.32 | 11,947 | 60.14 |
| Installation and maintenance of oilfield equipment | 5,468 | 26.74 | 5,638 | 28.38 |
| Supply of oilfield equipment | 2,852 | 13.95 | 2,280 | 11.48 |
| **Total revenue** | **20,451** | **100.00** | **19,865** | **100.00** |

### 4.1.6 Competitive Strengths

**(i) We have an established track record through our achievements in our quality management system and various HSE requirements**

Our Group places emphasis on quality and HSE management through the establishment of policies and procedures on quality assurance and quality control, as well as HSE. This is to ensure compliance to the relevant regulations which our customers emphasise. As a testament to the conformity of our quality management system to international standards, Steel Hawk Engineering has been certified BS EN ISO 9001: 2015 compliant by NQA Certification Limited. Please refer to **Section 4.2** of this Information Memorandum for information on BS EN ISO 9001: 2015.

Over the years of our business operations, we received several certifications and focus recognitions from PETRONAS which attest to our performance and HSE management, as follows:-

- Recorded zero lost time injury for the supply and delivery of chemical injection packages and sump and drain packages for pipeline replacement projects in 2014 and 2015.
- Awarded with Outstanding Vendor Award in 2015 and 2016.
- Recorded an overall supplier tracking assessment rating (STAR) of 4 rating (i.e. excellent) for our contracts between 2017 and 2020, which indicates that our overall performance is above acceptable standard.
- Received 8 focus recognitions from PETRONAS in 2018 and 2019 for our contribution towards zero HSE incidents and safe man-hours, as well as completion and handover ahead of schedule.

Our track record and recognitions we received from PETRONAS adds value to our evaluation criterion when we participate in tender activities for future contracts under PETRONAS and enabled us to secure contract extensions or renewals from PETRONAS. Our track record till date has enabled us to be awarded with extension and renewal of the following contracts:-

| **Contracts** | **Initial contract period** | **Extended contract period** |
|---|---|---|
| Provision to supply and maintenance of chemical injection skid | 15 December 2015 – 14 December 2017 | 15 December 2017 – 14 December 2018 |
| Provision of living quarters and modularised offshore buildings maintenance and fire rated doors | 24 July 2017 – 23 July 2019 | 24 July 2019 – 23 July 2020 |
| Provision of oil spill response equipment maintenance | 11 December 2017 – 10 December 2019 | 11 December 2019 – 10 December 2020 |
| Provision of engineering, procurement, fabrication, installation, commissioning, inspection and maintenance works of pig trap system | 23 July 2018 – 22 July 2021 | 23 July 2021 – 22 July 2022 |
| Provision of onshore facilities maintenance, construction and modification services | 12 December 2018 – 11 December 2021 | 12 December 2021 – 11 December 2023 |

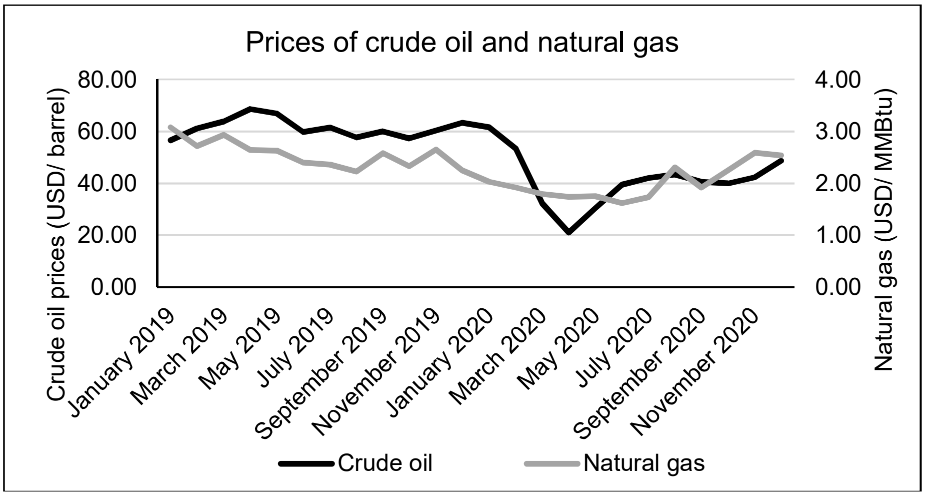
**(ii) Our team of technical personnel are equipped with the relevant technical expertise in the O&G industry**

We operate in a specialised industry where technical expertise in the O&G industry is a requirement for our Group to carry out our business operations. As such, our Group retains a team of engineers in-house who have technical backgrounds covering mechanical, mechatronics, civil, electric and electronics and instrumentation engineering, quality assurance and quality control, HSE and project management to carry out engineering works in both onshore and offshore. Our Group also retains a team of onshore-welders, scaffolders, construction superintendents, general supervisors, material coordinators, fitter foremen and riggers, who are based in onshore to carry out technical works. As at the LPD, we have 85 technical personnel, which accounted for 85.00% of our total employees.

**(iii) The nature of our business, where our business operations are not materially affected by crude oil and gas production and price fluctuations, coupled with our long-term contracts, enable us to generate sustainable revenue**

The onshore and offshore support services which we provide to our customers are to upkeep pipelines and topside facilities. This is to ensure the efficiency of crude oil and gas production, and functionality and safety of the topside facilities. As such our services are required by our customers despite fluctuating crude oil and gas prices, including when their prices are low, which enables us to generate sustainable revenue streams throughout the duration of our contracts. In other words, our business is not materially affected by seasonal or cyclical effects of crude oil and gas production and prices. Nevertheless, the business of our Group is subject to PETRONAS group's expenditure cycle and yearly pre-planned maintenance programs such as preventive maintenances, periodic maintenance, turnarounds and/ or shutdown maintenances.

Despite the decrease in crude oil prices by 32.81% from an average of USD 61.41/ barrel in 2019 to an average of USD 41.26/ barrel in 2020 and natural gas prices by 21.79% from an average of USD 2.57/ MMBtu in 2019 to an average of USD 2.01/ MMBtu in 2020, due to impact from the COVID-19 pandemic, our revenue decreased slightly by 2.87% from RM20.45 million in 2019 to RM19.87 million in 2020. This demonstrates that our financial performance was not materially affected despite the adverse conditions in the O&G industry in 2020.




Further, the duration of contracts we secured ranges from 3 to 5 years including options for extension of up to 2 years. As at the LPD, we have 10 ongoing contracts with PETRONAS group with expiration date of up to 2025. We have also signed Master Price Agreements along with the contracts which allows us to charge our customers for our services and products at fixed rates as stipulated in the Master Price Agreements.

**(iv) We have an experienced and technically strong key management team**

Our Group has an experienced and technically strong key management team, led by our Executive Director and Chief Executive Officer, Dato' Sharman, who has 17 years of experience in the O&G industry. He is responsible for the overall strategic management of our Group and plays a vital role in growing the business of our Group. Dato' Sharman is supported by our key management team, as follows:-

| Name | Designation | Years of relevant working experience |
|---|---|---|
| **Operations** | | |
| Salimi Bin Khairuddin | Executive Director and Chief Operating Officer (Onshore) | 12 |
| Khairul Nazri Bin Kamarudin | Executive Director, Chief Operating Officer and Chief Operating Officer (Offshore) | 7 |
| **Human Resource, Administration and Finance** | | |
| Datin Annie A/P V Sinniah | Executive Director and Human Resource and Administration Director | 14 |
| Lee Swee Ann | Chief Financial Officer | 33 |

Our key management team has strong industry and functional expertise as a result of years of experience in their respective fields. The combination of knowledge and relevant working experience across a broad spectrum of business activities has enabled our key management team to take an active, hands-on role in spearheading their respective departments to support the growth of our Group. Their hands-on involvement in our Group enables transference of skills and knowledge to employees at all level, which thereby demonstrates their strong commitment to our growth as we continue to expand. Please refer to **Section 7.3.2** of this Information Memorandum for the profiles of our key management team.

## 4.2 Quality assurance and control certificate

Our Group places strong emphasis on quality management to ensure that the quality of our deliverables comply with the relevant regulations and to maintain our reputation. As a testament of our ongoing commitment to quality, Steel Hawk Engineering has been certified compliant to BS EN ISO 9001: 2015, as follows:-

| Certification/ standard | Certification body | Current validity period | Scope of certification |
|---|---|---|---|
| BS EN ISO 9001: 2015 | NQA Certification Limited | 19 November 2018 – 19 November 2021 | Quality management system applicable to the provision of:-<br>(i) Fabrication, modification and maintenance services;<br>(ii) Drilling equipment maintenance services;<br>(iii) Design, fabrication, installation and commissioning of chemical injection skids, process and utility skids;<br>(iv) Pipeline pigging, isolation and pig trap maintenance services; and<br>(v) Supply, installation and maintenance of fire rated doors for the O&G industry. |

## 4.3 Modes of business development and tender activities

Our business development and tender activities are led by our Executive Director and Chief Executive Officer, Dato' Sharman, and supported by our tender committee which is formed when we participate in tenders. Due to the nature of PETRONAS's contract tender and award procedures, all our business development activities are through participation and securing contracts through tender activities. As such, we actively participate in tender activities which we are invited by PETRONAS and qualified for based on the SWEC in our existing licensed/ registered scopes, as well as other considerations such as the availability of resources and contract duration. We also proactively identify and apply to add new SWEC to our existing licensed/ registered scopes.

Further, we have a corporate website at https://www.steelhawk.com.my/ which provides immediate searchable information on our Group. The current widespread use of the internet as a source of information has enabled us to enhance our reach and exposure to potential customers.

## 4.4 Major customers

Our top 5 major customers for the FYE 31 December 2019 and FYE 31 December 2020 are as follows:-

**FYE 31 December 2019**

| Major customer(s) | Services provided | Length of relationship as at the LPD (years) | Revenue contribution RM'000 | % |
|---|---|---|---|---|
| PETRONAS group | EPCC services and facilities improvement/ maintenance, installation and maintenance of oilfield equipment, supply of oilfield equipment | 8 | 19,479 | 95.25 |
| Anticorrosion Protective Systems (M) Sdn Bhd | EPCC services and facilities improvement/ maintenance | 3 | 343 | 1.68 |
| Green Tech Energy PLT | Supply of oilfield equipment | 3 | 186 | 0.91 |
| Bumi Wangsa TMS Sdn Bhd | Supply of oilfield equipment | 8 | 135 | 0.66 |
| Sanggul Emas Sdn Bhd | Supply of oilfield equipment | 8 | 120 | 0.59 |
| **Total revenue for the FYE 31 December 2019** | | | **20,451** | **100.00** |

**FYE 31 December 2020**

| Major customer(s) | Services provided | Length of relationship as at the LPD (years) | Revenue contribution RM'000 | % |
|---|---|---|---|---|
| PETRONAS group | EPCC services and facilities improvement/ maintenance, installation and maintenance of oilfield equipment, supply of oilfield equipment | 8 | 19,865 | 100.00 |
| **Total revenue for the FYE 31 December 2020** | | | **19,865** | **100.00** |

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## 4. BUSINESS OVERVIEW (CONT'D)

Our largest customer, namely PETRONAS group, contributed 95.25% and 100.00% to our revenue in the FYE 31 December 2019 and FYE 31 December 2020, respectively, and hence we are dependent on PETRONAS group as our major customer. Further breakdown on revenue contribution from PETRONAS group (by companies) for the FYE 31 December 2019 and FYE 31 December 2020 is as follows:-

| | | FYE 31 December | | | |
|---|---|---|---|---|---|
| | | 2019 | | 2020 | |
| **Name** | **Services provided** | **RM'000** | **% of total revenue** | **RM'000** | **% of total revenue** |
| PETRONAS Carigali Sdn Bhd | EPCC services and facilities improvement/ maintenance, installation and maintenance of oilfield equipment, supply of oilfield equipment | 19,239 | 94.08 | 19,865 | 100.00 |
| PETRONAS Dagangan Berhad | Installation and maintenance of oilfield equipment | 240 | 1.17 | - | - |
| **Total** | | **19,479** | **95.25** | **19,865** | **100.00** |

Nevertheless, we have established a long term and strong business relationship with PETRONAS Carigali Sdn Bhd since 2013. We have also entered into long term contracts and Master Price Agreements with durations that range from 3 to 5 years with options for extension of up to 2 years. To further expand our customer base, we have secured orders to supply oilfield equipment to 4 other local customers in the FYE 31 December 2021. We also secured our first overseas order from a customer in Brunei to supply oilfield equipment.

Please refer to **Section 6.1.1** of this Information Memorandum on the risk factor pertaining to our dependence on PETRONAS group as our major customer.

### 4.5 Major suppliers

Our top 5 major suppliers for the FYE 31 December 2019 and FYE 31 December 2020 are as follows:-

**FYE 31 December 2019**

| **Major supplier** | **Services and products sourced** | **Length of relationship as at the LPD (years)** | **Value of purchases/ services RM'000** | **%** |
|---|---|---|---|---|
| MF Welding Enterprise | Subcontractor for mechanical and electrical, civil and fabrication services | 2 | 843 | 6.05 |
| Simpac Marine Sdn Bhd | Fire rated doors | 4 | 633 | 4.54 |
| Drinkwater Products Inc[*1] | Signaller of pig trap systems | 3 | 568 | 4.07 |
| Bestrich Star Sdn Bhd | Scaffold erection services | 2 | 321 | 2.30 |
| ECKL Industrial Supply Sdn Bhd | General consumables | 2 | 284 | 2.04 |
| **Total cost of goods sold for the FYE 31 December 2019** | | | **13,941** | **100.00** |

## 4. BUSINESS OVERVIEW (CONT'D)

**Note:-**

[*1] For information purpose, Drinkwater Products Inc was incorporated in Louisiana, United States of America in 1987 and is principally involved in the supply of pipeline maintenance products

**FYE 31 December 2020**

| Major supplier | Services and products sourced | Length of relationship as at the LPD (years) | Value of purchases/ services RM'000 | % |
|---|---|---|---|---|
| MF Welding Enterprise | Subcontractor for mechanical and electrical, civil and fabrication services | 2 | 1,217 | 12.43 |
| Simpac Marine Sdn Bhd | Fire rated doors | 4 | 593 | 6.06 |
| OGPC Sdn Bhd | QOCs of pig trap systems | 3 | 432 | 4.41 |
| Ditrolic Sdn Bhd | Solar panel | 1 | 376 | 3.84 |
| Bestrich Star Sdn Bhd | Scaffold erection services | 2 | 313 | 3.20 |
| **Total cost of goods sold for the FYE 31 December 2020** | | | **9,793** | **100.00** |

Our major suppliers comprise suppliers for oilfield equipment (e.g. fire rated doors) and their parts and components (e.g. QOCs of pig trap systems).

Our subcontractor, MF Welding Enterprise contributed to 6.05% and 12.43% of our Group's purchases in the FYE 31 December 2019 and FYE 31 December 2020, respectively. We do not have any long-term agreements or arrangements with MF Welding Enterprise, nevertheless, we did not face any disruptions or delays from MF Welding Enterprise in the past 2 financial years up to the FYE 31 December 2020. We believe that we will be able to identify and secure other suitable subcontractors for the mechanical and electrical, civil and fabrication services if MF Welding Enterprise cease to provide their services to our Group.

Purchases from other major suppliers primarily comprise parts and components which are used to assemble into oilfield equipment. The parts and components may be sourced locally and overseas, from our principals, as well as suppliers for general consumables. We are not dependent on our major suppliers in sourcing parts and components as such supplies are generally readily available and can be easily sourced from other suppliers.

### 4.6 Seasonality and cyclicality

Our business is not materially affected by seasonal or cyclical effects as our customers generally operate throughout the year.

Nevertheless, the business of our Group is subject to PETRONAS group's expenditure cycle and yearly pre-planned maintenance programs such as preventive maintenances, periodic maintenance, turnarounds and/ or shutdown maintenances.

## 4.7 Impact of the COVID-19 pandemic

In efforts to curb the spread of the COVID-19 virus, the Government announced the implementation of a nationwide MCO, effective 18 March 2020 to 3 May 2020 ("**1st MCO**"), which caused the closure of all government and private premises except those involved in essential services, unless written permission is obtained from MITI. Subsequently, a conditional MCO was imposed between 4 May 2020 and 9 June 2020, and a recovery MCO was imposed between 10 June 2020 and 31 August 2020 and subsequently extended to 21 January 2021. These subsequent easing of control measures allowed more businesses to operate subject to the adherence to a set of strict standard operating procedures.

Following the resurgence of COVID-19 cases in Malaysia, a 2nd MCO was imposed in all federal territories and most of the states in Malaysia for different durations from January 2021 to March 2021. As our business is categorised under essential services, we are allowed to continue operating during these periods subject to the adherence to strict standard operating procedures set out by MITI. As such, we were not adversely impacted by the 1st MCO, conditional MCO, recovery MCO and 2nd MCO.

A 3rd MCO was imposed beginning May 2021 and the National Recovery Plan (previously known as nationwide total lockdown) was imposed from 1 June 2021. As at the LPD, Selangor, Kuala Lumpur, Putrajaya, Johor and Kedah are under phase 1 of the National Recovery Plan; while Kelantan, Terengganu, Pahang, Perak, Melaka, Sabah and Pulau Pinang are under phase 2 of National Recovery Plan; and Sarawak, Labuan, Perlis and Negeri Sembilan under phase 3 of the National Recovery Plan. Nevertheless, as our business is categorised under essential services, we are allowed to continue operating, subject to the adherence to strict standard operating procedures set out by MITI.

As at the LPD, we employed an office rotation policy with no more than 60% of our office-based employees working in office at any time while the remaining 40% are requested to work from home. Our employees that are stationed at our customers' sites, or are regularly deployed to the customers' sites (i.e. field engineers and offshore team) operated at full capacity subject to stringent standard operating procedures.

As mentioned above, we have employees that are stationed at our customers' sites, or are regularly deployed to the customers' sites (i.e. field engineers and offshore team). Our employees have not faced any travel restrictions as they have the relevant confirmation letters from PETRONAS and approval from MITI.

Further, we did not face any disruption in the procurement and receipt of supplies from our suppliers nor face any disruption in delivery schedules to our customers' site. There was also no material impact on the collectability of our trade receivables.

In response to the COVID-19 pandemic, our Group has established a standard safety protocol in accordance to the guidelines and standard operating procedures on COVID-19 prevention to protect our employees against potential COVID-19 infection. The infection control measures include amongst others:-

(i) Wearing of face masks;

(ii) Taking and recording of body temperature before entering work places;

(iii) Scanning of MySejahtera mobile application before entering work places;

(iv) Frequent sanitising and washing of hands prior to entering work places;

(v) Sanitising all common areas of our work places 3 times a week (i.e. close of business);

(vi) Enforcing and practicing 1 metre physical distancing;

(vii) Any infected employee will be quarantined and we will close our work places for disinfection and for all employees to undergo health screening test; and

(viii) Implementing working from home initiative where non-operational employees (e.g. Human Resource and Administrative personnel) are allowed to enter our headquarters as and when necessary to minimise the number of employees present in the headquarters at any one time.

In addition, as at the LPD, we have applied to register 52 of our employees for COVID-19 vaccines through the Public-Private Partnership COVID-19 Industry Immunisation Programme ("**PIKAS**"). For clarification, the Government will provide free COVID-19 vaccines under PIKAS.

As at the LPD, we are not in breach of any laws relating to COVID-19 restrictions which may lead to penalties by the relevant authorities. Further, our financial position does not deter our plan to implement our business strategies as detailed in **Section 4.11** of this Information Memorandum.

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## 4. BUSINESS OVERVIEW (CONT'D)

### 4.8 Major approvals, licenses and permits

As at the LPD, our Group has obtained all required approvals, licenses and permits for our business operations. The details of our major approvals, licenses and permits which our Group is materially dependent on for our business operations as at the LPD is disclosed below:-

| No. | Description of approval/ license/ permit | Approving authority/ Issuer | Certificate No./ License No./ Registration No./ Reference No. | Effective date/ Expiry date | Material Conditions Imposed | | Status of compliance |
|---|---|---|---|---|---|---|---|
| 1. | License with Standardised Work and Equipment Categories (SWEC) codes to supply product / service to exploration and oil / gas companies in Malaysia[*1] | PETRONAS | 1019338-X | 18 December 2018 to 17 December 2021 | (i) | Steel Hawk Engineering is required to register, obtain a license, permit or authorization from the relevant authority to carry out the services or supply of product or material used in Steel Hawk Engineering's operation and activities; | Noted and complied |
| | | | | | (ii) | This license is not transferable to any company/other party; | Noted |
| | | | | | (iii) | This license will be revoked if Steel Hawk Engineering is found to be in the process of liquidation, winding-up or dissolution; | Noted |
| | | | | | (iv) | Steel Hawk Engineering shall inform Petronas on any changes related to Steel Hawk Engineering's position such as equity ownership, board of directors and management staff within fourteen (14) days. Failure to do so can result in revocation of this license; | To be complied[*2] |
| | | | | | (v) | Steel Hawk Engineering should take immediate action to adhere to the special conditions imposed as stated in the appendix of the Petronas license certificate and to inform Petronas on the progress of this action; | Noted |

## 4. BUSINESS OVERVIEW (CONT'D)

| No. | Description of approval/ license/ permit | Approving authority/ Issuer | Certificate No./ License No./ Registration No./ Reference No. | Effective date/ Expiry date | Material Conditions Imposed | Status of compliance |
|---|---|---|---|---|---|---|
| | | | | | (vi) Steel Hawk Engineering is not allowed to take another company as principal, agent, sub-contractor or otherwise to provide any service or supply of any facility, fittings or equipment on its behalf without prior written consent from Petronas; and | Noted and complied |
| | | | | | (vii) This license is only valid for services and supply of products as stated in the appendix of the Petronas license certificate. | Noted |
| 2. | Certificate of Registration pursuant to Part VI of the Construction Industry Development Board Malaysia Act ("**CIDB Act**") in respect of:-<br><br>Grade G7:-<br><br>(i) Category Building Construction, registration specialisation B04;<br><br>(ii) Category Civil Engineering, registration specialisation CE15 and CE21; and | CIDB | <u>Registration No.</u> 0120140603-SL157185 | 16 May 2021/ 21 May 2024 | **(i) General conditions** | |
| | | | | | (a) This certificate is non-transferable. | Noted |
| | | | | | (b) CIDB reserves the right to review the registration grade of Steel Hawk Engineering from time to time. | Noted |
| | | | | | **(ii) Responsibilities and obligations** | |
| | | | | | (a) Steel Hawk Engineering shall comply with the provisions of the CIDB Act, the rules and regulations made thereunder and any terms, conditions or restrictions imposed by CIDB from time to time. | Noted and complied |
| | | | | | (b) Steel Hawk Engineering shall not participate in any tender or carry out any construction works after this certificate expires, unless it is renewed. | Noted |

## 4. BUSINESS OVERVIEW (CONT'D)

| No. | Description of approval/ license/ permit | Approving authority/ Issuer | Certificate No./ License No./ Registration No./ Reference No. | Effective date/ Expiry date | Material Conditions Imposed | Status of compliance |
|---|---|---|---|---|---|---|
| | (iii) Category Mechanical and Electrical, registration specialisation M12, M15 and M20. | | | | (c) Steel Hawk Engineering shall not undertake to carry out any construction project exceeding the value of construction works stated for the grade it is registered under and any construction projects beyond its registered category. | Noted |
| | This certificate allows Steel Hawk Engineering to carry out the following work scope:- | | | | (d) Steel Hawk Engineering shall submit information regarding any construction works or contracts within fourteen (14) days of the award or before the commencement of work, whichever is earlier. | Noted |
| | B04: general building construction works | | | | | |
| | CE15: offshore work | | | | (e) Steel Hawk Engineering shall submit any information required by CIDB from time to time. | Noted and complied |
| | CE21: construction of civil engineering | | | | | |
| | M12: special lodgement | | | | (f) Steel Hawk Engineering shall display the registration certificate issued by CIDB or a copy duly certified as true copy by CIDB at the place of business. | Noted and complied |
| | M15: installation, testing and commissioning of various mechanical system | | | | | |
| | M20: registration of general mechanical | | | | (g) Steel Hawk Engineering must display its registration number on the signboard at each of its construction site. | Noted and complied |
| | | | | | (h) Steel Hawk Engineering must apply for renewal of registration at any time within 60 days before the expiry date specified in this certificate. | Noted and to be complied |

## 4. BUSINESS OVERVIEW (CONT'D)

| No. | Description of approval/ license/ permit | Approving authority/ Issuer | Certificate No./ License No./ Registration No./ Reference No. | Effective date/ Expiry date | Material Conditions Imposed | Status of compliance |
|---|---|---|---|---|---|---|
| | | | | | (i) Steel Hawk Engineering must comply with all the requirements and principles stated in CIDB contractor code of ethics handbook. | Noted |
| | | | | | (j) Steel Hawk Engineering must employ skilled construction workers and a site supervisor who is accredited and certified by CIDB. | Noted and complied |
| | | | | | (k) All workers at the construction site must have a valid construction personnel card. | Noted and complied |
| | | | | | **(iii) Disciplinary actions** | |
| | | | | | The registration of the company shall be cancelled or suspended if:- | |
| | | | | | (a) Steel Hawk Engineering fails to comply with the requirement of any other written law. | Noted |
| | | | | | (b) Steel Hawk Engineering has been declared a bankrupt. | Noted |
| | | | | | (c) A winding up petition connected with Steel Hawk Engineering has been made. | Noted |
| | | | | | (d) Steel Hawk Engineering contravenes or fails to comply with any provision of the CIDB Act. | Noted |

## 4. BUSINESS OVERVIEW (CONT'D)

| No. | Description of approval/ license/ permit | Approving authority/ Issuer | Certificate No./ License No./ Registration No./ Reference No. | Effective date/ Expiry date | Material Conditions Imposed | Status of compliance |
|---|---|---|---|---|---|---|
| | | | | | (e) Steel Hawk Engineering has obtained the certificate by making or causing to be made any false or fraudulent declaration, certification or representation either in writing or otherwise. | Noted |
| | | | | | (f) Steel Hawk Engineering abandons any construction work undertaken without any good reason. | Noted |
| | | | | | (g) Steel Hawk Engineering is found guilty by the court or any other investigative body established under any written law for negligence in any construction work performed. | Noted |
| | | | | | (h) Steel Hawk Engineering contravenes any of the terms and conditions of the contractor's responsibilities and obligations as specified in item (ii) above. | Noted |
| 3. | Certificate of Registration of company for:- | Ministry of Finance | K10113642592821203 | 15 February 2021 to 14 February 2024 | **(i) General conditions** | |
| | | | | | (a) Approval is given based on the information provided by Steel Hawk Engineering. | Noted |

## 4. BUSINESS OVERVIEW (CONT'D)

| No. | Description of approval/ license/ permit | Approving authority/ Issuer | Certificate No./ License No./ Registration No./ Reference No. | Effective date/ Expiry date | Material Conditions Imposed | Status of compliance |
|---|---|---|---|---|---|---|
| | (i) Code 060102: Chemical, chemicals, laboratory equipment and industrial chemistry;<br>(ii) Code 090102: Construction materials, equipment road safety, and pipes and fittings;<br>(iii) Code 130101: Engineering equipment, production machines, and workshop machines and equipment<br>(iv) Code 130102: Engineering equipment, production machines, and special machines and equipment | | | | (b) Any changes on such information shall be updated on the online system through www.eperolehan.gov.my within twenty-one (21) days from the date of occurrence of such changes and failure to do so may result in action taken as specified in item (e) below. | Noted and to be complied |
| | | | | | (c) Steel Hawk Engineering shall submit all information requested by the Ministry of Finance within the prescribed period. Failure to do so may result in action taken as specified in item (e) below. | Noted |
| | | | | | (d) Steel Hawk Engineering shall ensure that the field as registered in this certificate of registration is not overlapped with the approved field given to any of the companies as follows:- | |
| | | | | | (i) having the same shareholder or board of directors/ director, management and employee; or | Noted |
| | | | | | (ii) operating in the same premises. | Noted |

## 4. BUSINESS OVERVIEW (CONT'D)

| No. | Description of approval/ license/ permit | Approving authority/ Issuer | Certificate No./ License No./ Registration No./ Reference No. | Effective date/ Expiry date | Material Conditions Imposed | Status of compliance |
|---|---|---|---|---|---|---|
| | (v) Code 130202: Engineering equipment, production machines, electrical power and generator equipment/ spare parts and batteries, and special machines and equipment | | | | (e) The Ministry of Finance has the right to conduct visit or audit examination at any time without prior notice. Non-compliance of the conditions of registration, the field code and/ or the registration of the company may be suspended/ revoked and disciplinary action including blacklisting may be taken against the shareholder and board of directors/ director without any notice if it is found that the information given is not true. | Noted |
| | (vi) Code 130401: Engineering equipment, production machines, oil industrial equipment and upstream industrial equipment | | | | (f) Newly registered company is not allowed to change the composition of shareholder or director within six (6) months from the date of registration. | Noted and complied |
| | | | | | (g) Failure to submit the application of renewal after one (1) year from the date of expiry may cause the registration of the company with the Ministry of Finance to be revoked or to be removed automatically from ePerolehan System. The company is required to make a fresh application. | Noted |
| | | | | | **(ii) Suspension/ revocation of registration** | |
| | | | | | Registration of Steel Hawk Engineering will be suspended/ revoked if:- | |

## 4. BUSINESS OVERVIEW (CONT'D)

| No. | Description of approval/ license/ permit | Approving authority/ Issuer | Certificate No./ License No./ Registration No./ Reference No. | Effective date/ Expiry date | Material Conditions Imposed | Status of compliance |
|---|---|---|---|---|---|---|
| | (vii) Code 130402: Engineering equipment, production machines, oil industrial equipment and downstream industrial equipment<br><br>(viii) Code 221011: Services, hygiene and treatment services and oil spill cleaning | | | | (a) the company/ its shareholder/ partner/ director/ any managing member has committed crime and is found guilty by the court in Malaysia or outside of Malaysia or is liable for civil liability. | Noted |
| | | | | | (b) the company withdraws the offer before the tender is considered or reject after the offer is made. | Noted |
| | | | | | (c) the company failed to fulfill its contractual obligations signed with the Government. | Noted |
| | | | | | (d) the company was found to amend the certificate of registration for fraudulent or other purposes. | Noted |
| | | | | | (e) the company allows the certificate of registration to be misused by other individual/ company. | Noted |
| | | | | | (f) the company has a price-fixing conspiracy with other companies when the company has entered into government tender or subcontract without prior consent from the government agencies involved. | Noted |
| | | | | | **(iii) Renewal** | |
| | | | | | (a) Steel Hawk Engineering shall submit the application of renewal three (3) months before the date of expiry. | Noted and to be complied |

## 4. BUSINESS OVERVIEW (CONT'D)

| No. | Description of approval/ license/ permit | Approving authority/ Issuer | Certificate No./ License No./ Registration No./ Reference No. | Effective date/ Expiry date | Material Conditions Imposed | Status of compliance |
|---|---|---|---|---|---|---|
| | | | | | (b) Application which is received after the date of expiry will be considered fresh registration. | Noted |
| | | | | | **(iv) Government's asset** | |
| | | | | | The virtual certificate of registration shall belong to the Government. The Government has the right to withdraw the registration/ suspend/ revoke if disciplinary action is taken against the company pursuant to 1PP/PK8 (*Pekeliling Perbendaharaan/ Perolehan Kerajaan 8*). | Noted |
| | | | | | **(v) Participation in government procurement** | |
| | | | | | (a) Upon the issuance of the virtual certificate, this certificate does not need to be displayed during the collection of documents in respect of government procurement (direct purchases, tenders/ quotes and other methods of procurement) unless the government agent has no internet access. | Noted |
| | | | | | (b) Steel Hawk Engineering shall ensure that the registration with Ministry of Finance is valid throughout the contract period. | Noted and to be complied |
| 4. | Approved Supplier and Service Contractor license under the category of:- | Tenaga Nasional Berhad | 3046556 | 25 March 2021 to 14 February 2024 | Nil. | Nil. |

## 4. BUSINESS OVERVIEW (CONT'D)

| No. | Description of approval/ license/ permit | Approving authority/ Issuer | Certificate No./ License No./ Registration No./ Reference No. | Effective date/ Expiry date | Material Conditions Imposed | Status of compliance |
|---|---|---|---|---|---|---|
| | (i) Code 060102: Chemical, chemicals, laboratory equipment and industrial chemistry; | | | | | |
| | (ii) Code 090102: Construction materials, equipment road safety, and pipes and fittings; | | | | | |
| | (iii) Code 130101: Engineering equipment, production machines, and workshop machines and equipment | | | | | |
| | (iv) Code 130102: Engineering equipment, production machines, and special machines and equipment | | | | | |

## 4. BUSINESS OVERVIEW (CONT'D)

| No. | Description of approval/ license/ permit | Approving authority/ Issuer | Certificate No./ License No./ Registration No./ Reference No. | Effective date/ Expiry date | Material Conditions Imposed | Status of compliance |
|---|---|---|---|---|---|---|
| | (v) Code 130202: Engineering equipment, production machines, electrical power and generator equipment / spare parts and batteries, and special machines and equipment | | | | | |
| | (vi) Code 130401: Engineering equipment, production machines, oil industrial equipment and upstream industrial equipment | | | | | |
| | (vii) Code 130402: Engineering equipment, production machines, oil industrial equipment and downstream industrial equipment | | | | | |

## 4. BUSINESS OVERVIEW (CONT'D)

| No. | Description of approval/ license/ permit | Approving authority/ Issuer | Certificate No./ License No./ Registration No./ Reference No. | Effective date/ Expiry date | Material Conditions Imposed | Status of compliance |
|---|---|---|---|---|---|---|
| | (viii) Code 221011: Services, hygiene and treatment services and oil spill cleaning | | | | | |
| 5. | IPA type D permit (water supply) – Selangor Darul Ehsan<br><br>Type D: to carry out maintenance services for a water supply system or a sewerage system but which does not involve the operation of such system | Suruhanjaya Perkhidmatan Air Negara ("**SPAN**") | SPAN/EKS/(PT)/800-2D/2/21/1038 | 22 May 2021 to 21 April 2024 | (i) Steel Hawk Engineering shall only carry out the works, and in the state or states, specified in the permit; | Noted |
| | | | | | (ii) Steel Hawk Engineering shall notify SPAN of any changes in particulars of Steel Hawk Engineering; | Noted and complied |
| | | | | | (iii) Steel Hawk Engineering shall provide information, in such format and at such intervals, as may be required by SPAN; | Noted |
| | | | | | (iv) Employees and servants of Steel Hawk Engineering shall be authorised to carry out for Steel Hawk Engineering the works authorised under the permit provided that Steel Hawk Engineering shall at all times be responsible for all acts or omissions of its employees and servants; | Noted |
| | | | | | (v) Steel Hawk Engineering shall at all times maintain the requisite certificate of registration, as a registered contractor issued by the Lembaga Pembangunan Industri Pembinaan Malaysia, where required; | Noted |
| | | | | | (vi) Steel Hawk Engineering shall at all times have and maintain the qualification to hold a permit as may be specified by SPAN from time to time; | Noted |

## 4. BUSINESS OVERVIEW (CONT'D)

| No. | Description of approval/ license/ permit | Approving authority/ Issuer | Certificate No./ License No./ Registration No./ Reference No. | Effective date/ Expiry date | Material Conditions Imposed | Status of compliance |
|---|---|---|---|---|---|---|
| | | | | | (vii) Steel Hawk Engineering shall at all times deal with consumers fairly and reasonably and where applicable, comply with the consumer standards; | Noted |
| | | | | | (viii) Steel Hawk Engineering shall at all times safeguard the safety of the public and its employees and shall at all times comply with relevant occupational, health and safety procedures and regulations imposed by the relevant authority; | Noted |
| | | | | | (ix) Steel Hawk Engineering, its employees and servants shall at all times comply with the applicable health requirements imposed by the relevant health authorities; | Noted |
| | | | | | (x) Steel Hawk Engineering shall observe and comply with the conditions of the permit and the provisions of Water Services Industry Act 2006 (Water Services Industry (Permit) Rules 2007) ("**2006 Act**") and any subsidiary legislation made or other instruments issued under the 2006 Act; and | Noted |
| | | | | | (xi) Steel Hawk Engineering shall comply with such other conditions as may be imposed by SPAN from time to time. | Noted |
| 6. | Certificate of registration as a vendor | Federal Land Development Authority | F10-0096-01 | 15 March 2021 to 14 March 2024 | Steel Hawk Engineering shall submit the application for renewal at least thirty (30) days before the date of expiry. | Noted and to be complied |

## 4. BUSINESS OVERVIEW (CONT'D)

| No. | Description of approval/ license/ permit | Approving authority/ Issuer | Certificate No./ License No./ Registration No./ Reference No. | Effective date/ Expiry date | Material Conditions Imposed | | Status of compliance |
|---|---|---|---|---|---|---|---|
| 7. | Permission of scaffolding installation | DOSH of Terengganu | JKKP.T./127/9/18/3 JILID 2 (66) | 30 December 2021 *(For a period of 12 months)* | Nil. | | Nil. |
| 8. | Permission of scaffolding installation | DOSH of Terengganu | JKKP.T./127/9/18/3 JILID 2 (64) | 31 December 2021 *(For a period of 12 months)* | Nil. | | Nil. |
| 9. | Registration of business premise / factory | DOSH of Selangor | JKKP B BP 127/439/2(96) | 20 April 2015 | (i) | DOSH had carried out inspection on 1 April 2015 and is satisfied with the inspection, hence the premise is to be registered as a non-factory workplace with reference to SL/15/22/92814. | Noted |
| | | | | | (ii) | In the event Steel Hawk Engineering wishes to change the nature of the work carried out, which is different from the nature of work inspected by DOSH, Steel Hawk Engineering has the responsibility to report to DOSH. | Noted |
| | | | | | (iii) | Pursuant to Section 34 and Section 36 of the Factories and Machinery Act 1967, a written consent must be obtained when a premise is to be used as a factory and installation of machinery. Failure to do so, the person shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding one thousand ringgit or to imprisonment for a term not exceeding two years or to both. | Noted |

## 4. BUSINESS OVERVIEW (CONT'D)

| No. | Description of approval/ license/ permit | Approving authority/ Issuer | Certificate No./ License No./ Registration No./ Reference No. | Effective date/ Expiry date | Material Conditions Imposed | Status of compliance |
|---|---|---|---|---|---|---|
| 10. | Trade, business and industries license for No. 23-2 of the PJ Office:-<br>(i) Office<br>(ii) Non-illuminated advertisement | Petaling Jaya City Council | L950000171129 | 1 January 2021 to 31 December 2021 | Nil. | Nil. |
| 11. | Business license for No. 25-2 of the PJ Office | Petaling Jaya City Council | L2540000617404 | 1 March 2021 to 31 December 2021 | Nil. | Nil. |
| 12. | Business, professions and trading license for Miri Office | Sarawak State Government | 000544 | 1 September 2021 to 28 August 2022 | Nil. | Nil. |
| 13. | The businesses, professions and trading licensing ordinance for Bintulu Office | Sarawak State Government | A 915689/49 | 9 March 2021 to 8 March 2022 | Nil. | Nil. |
| 14. | Business license for Kemaman Warehouse and Yard for:-<br>(i) Mechanical/ electrical engineering works<br>(ii) Advertisement board (less than 9mps)<br>(iii) Store (140 mps to 280 mps) | Majlis Perbandaran Kemaman | 06/11/09/1917 | 25 May 2021 to 31 December 2021 | Nil. | Nil. |

## 4. BUSINESS OVERVIEW (CONT'D)

**Notes:-**

*1 As at the LPD, Steel Hawk Engineering has 290 SWEC registered under our PETRONAS license but we currently rely on 16 SWECs in the performance of our ongoing contracts. The categories of products and services authorised by these 16 SWECs are set out in the table below:-

| No. | SWEC | Description of Service | Minimum Bumiputera Requirements (%) | Status of Compliance | Ongoing Contracts (type of services) |
|---|---|---|---|---|---|
| 1. | 15161500S | Onshore Pipeline | 30 | Complied | Onshore facilities maintenance, construction and modification services |
| 2. | 27101300S | Mechanical Engineering Maintenance -Topside Piping & Structural | 30 | Complied | Onshore facilities maintenance, construction and modification services |
| 3. | 15161400S | Onshore Facilities | 30 | Complied | Onshore facilities maintenance, construction and modification services |
| 4. | 27111000S | Minor Onshore Fabrication | 51 | Complied | Onshore facilities maintenance, construction and modification services |
| 5. | 18181000S | Fixed Fire Protection Systems | 51 | Complied | Oilfield equipment - fire rated doors |
| 6. | 18191400P | Other Safety/Firefighting Equipment | 51 | Complied | Oilfield equipment - fire rated doors |
| 7. | 18151000P | A60/AO Windows | 51 | Complied | Oilfield equipment - fire rated doors |
| 8. | 11121000P | Hardware | 51 | Complied | Oilfield equipment - fire rated doors |
| 9. | 18171100P | Oil/Chemical Spill Response Equipment & Accessories | 51 | Complied | Oilfield equipment - oil spill recovery equipment |
| 10. | 18161100S | Spill Control Support & Clean-up Services | 51 | Complied | Oilfield equipment - oil spill recovery equipment |
| 11. | 24171600P | Lifting & Rigging Equipment & Accessories | 30 | Complied | Oilfield equipment - oil spill recovery equipment |
| 12. | 27131000S | Offshore Pipeline Inspection & Repair | 51 | Complied | Oilfield equipment - pig trap system |

## 4. BUSINESS OVERVIEW (CONT'D)

| No. | SWEC | Description of Service | Minimum Bumiputera Requirements (%) | Status of Compliance | Ongoing Contracts (type of services) |
|---|---|---|---|---|---|
| 13. | 16261800P | Pigging Accessories | 51 | Complied | Oilfield equipment - pig trap system |
| 14. | 27131200S | Pig Trap Maintenance | 51 | Complied | Oilfield equipment - pig trap system |
| 15. | 27101200S | Maintenance & Repairs of Offshore Facilities | 30 | Complied | Oilfield equipment - pig trap system |
| 16. | 30103113S | Drilling mud cooler equipment | 51 | Complied | Oilfield equipment - mud cooler system |

*2 As highlighted in **Section 6.1.3** of this Information Memorandum, there is a flexibility given for "Berhad" (public-listed) company or "Sdn Bhd" company which is owned at least 51% by a Berhad company to hold a minimum of 35% Bumiputera equity when applies for SWECs with minimum 51% Bumiputera requirement ("**35% Bumiputera Requirement**"). It is our obligation to fulfill the 35% Bumiputera Requirement and ensure full compliance to the terms stated in the PETRONAS License/ Registration General Guidelines.

Based on the 35% Bumiputera Requirement, our Group will continue to meet the minimum Bumiputera requirements for SWEC after the listing of our Shares on the LEAP Market, given that the shareholdings of the Bumiputera Promoters of approximately 45.9% (indirect interest) in Steel Hawk Engineering after the listing of our Shares on the LEAP Market meets the 35% Bumiputera Requirement. This is in line with the flexibility given for public listed company specified under the PETRONAS License/ Registration General Guidelines.

## 4. BUSINESS OVERVIEW (CONT'D)

### 4.9 Patents and trademarks

#### (i) Trademark registered and/or in the process of registration under the name of Steel Hawk Engineering

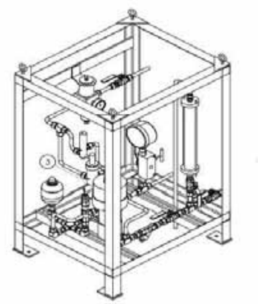
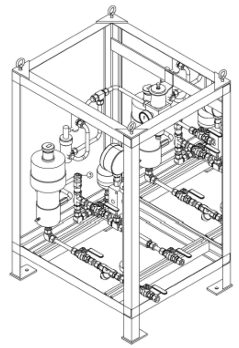
Save as disclosed below, there is no intellectual property rights registered and/or in the process of registration which is in favour of the Company and no trademark is used in the carrying out of its business:-

| No. | Trademark | Applicant | Application number | Class | Date of application | Description | Status of registration |
|---|---|---|---|---|---|---|---|
| 1. | | Steel Hawk | TM2021005355<br>TM2021005354<br>TM2021005356 | 35, 36, 42 | 26 February 2021 | Class 35 – Brand management; business management<br>Class 36 – Financial management holding companies<br>Class 42 – Engineering | Under formality validation |
| 2. | STEEL HAWK | Steel Hawk Engineering | TM2020027954 | 6, 35,37, 42 | 23 November 2020 | Class 6 – Fabricated metal components for building foundations (construction materials)<br>Class 35 – Procurement of contracts for others<br>Class 37 – Building and construction services<br>Class 42 – Engineering | Under substantive examination |
| 3. | | Steel Hawk Engineering | TM2020027947 | 6, 35,37, 42 | 23 November 2020 | Class 6 – Fabricated metal components for building foundations (construction materials)<br>Class 35 – Procurement of contracts for others<br>Class 37 – Building and construction services<br>Class 42 – Engineering | Under substantive examination |

## 4. BUSINESS OVERVIEW (CONT'D)

### (ii) Patent registered and/or in the process of registration under the name of the Steel Hawk Engineering

The Company has registered and/or in the process of obtaining patent and industrial design registration for their inventions and designs set out in the table of summary below.

| No. | Industrial Designs | Applicant | Application number | Date of application | Class | Description | Status of registration |
|---|---|---|---|---|---|---|---|
| 1. |  | Steel Hawk Engineering | 21-E0051-0101 | 27 January 2021 | 23-01 | Fluid distribution equipment: adapters for pipe joints, apparatus for supply of gas, coiled pipes, connecting devices for gas bottles, drainpipes, extensible connections for flexible piping, flexible pipes, fluid distribution equipment, hydraulic output regulators, joints for pipes, packing rings for tubes and pipes, joint or packing rings for tubes and pipes, joint rings for tubes and pipes, pipe and plate packed joints, pipes of concrete or cement, pressure reducers for gas, rigid piping, safety valves for cisterns, safety devices for drain gratings, siphons for decanting fluids, slurry tanks, suction roses, tanks for gaseous or liquid substances, taps, faucets, valves, pressure reducers for gas, pressure reducers (pipe fittings, and safety valves for cistern. | Pending registration |
| 2. |  | Steel Hawk Engineering | 21-E0052-0101 | 27 January 2021 | 23-01 | | Pending registration |

For shareholders' information, with respect to the abovementioned trademarks and patents pending registration, the said trademarks are for branding purposes only and the said patents are to commercialise Steel Hawk's proprietary inventions which have yet to be commercialised. As such, Steel Hawk's business or profitability is not materially dependent on the abovementioned intellectual property rights and there is no material impact on Steel Hawk's business.

## 4. BUSINESS OVERVIEW (CONT'D)

### 4.10 Properties

#### (i) Properties owned by our Group

The properties owned by our Group are as set out below:-

| Registered / Beneficial Owner | Title / Property Address | Description / Existing Use | Category of Land Use/ Tenure of Property | Land/ Gross Built-Up Area (square feet) | Date of Issuance of Certificate of Fitness or Certificate of Completion and Compliance |
|---|---|---|---|---|---|
| Steel Hawk Engineering[*1] | **Title**<br>No. Geran 46495/M2/2/63 and No. Geran 46495/M2/2/64<br>Lot 42441<br>Pekan Cempaka<br>Daerah Petaling<br>Negeri Selangor<br><br>**Property Address**<br>23-2 & 25-2, Block H<br>Jalan PJU 1/37<br>Dataran Prima<br>47301 Petaling Jaya<br>Selangor Darul Ehsan | **Description**<br>Two (2) individual unit of office suites both located on the first floor of a five-storey building<br><br>**Existing Use**<br>Headquarter office | **Category of Land Use**<br>Building<br><br>**Tenure of Property**<br>Freehold | 1,475/per unit | 10 December 1998 |

**Note:-**

[*1] As at the LPD, the full purchase consideration for the 2 individual unit of office suites had been paid by Steel Hawk Engineering in accordance with the terms of the SPAs (as defined in **Section 9.1** of this Information Memorandum) dated 2 December 2020 and the vacant possession for both units were handed over to Steel Hawk Engineering on 27 May 2021. As at the LPD, Steel Hawk Engineering is the beneficial owner of both units. The memorandum of transfer for No. 23-2 of the PJ Office is pending adjudication of stamp duty and the transfer for No. 25-2 of the PJ Office had been presented to the land office.

## 4. BUSINESS OVERVIEW (CONT'D)

### (ii) Immovable properties tenanted by Steel Hawk Engineering

The properties tenanted by the Group from third party are as set out below:-

| No. | Landlord | Tenant | Location | Description of Demised Premises / Existing use | Land / Gross Built-Up Area (square feet) | Tenure | Monthly Rental |
|---|---|---|---|---|---|---|---|
| 1. | Ling Ming Lee | Steel Hawk Engineering | Unit No. C-7-6, 7th floor<br>Block C, Old Airport Road<br>Jalan Abang Galau, SOVO A, Paragon<br>97000 Bintulu, Sarawak<br>("**Bintulu Office**") | **Description**<br>1 unit of office suite located on 7th floor of a 9-storey building<br>**Existing use**<br>Project office (branch office) | 500 | 1 December 2020 to 30 November 2022 with an option to renew for 1 year | RM1,000 |
| 2. | Chai Kuen Ming | Steel Hawk Engineering | Lot 3321<br>Piasau Utara Industrial Estate<br>Jalan Pujut-Lutong, KM 3.5<br>98000 Miri, Sarawak<br>("**Miri Office**") | **Description**<br>2-storey semi-detached industrial buildings<br>**Existing use**<br>Office and warehouse | 4,500 | 1 November 2020 to 31 October 2022 | RM3,500 |
| 3. | Advance-Parcel Services Sdn Bhd | Steel Hawk Engineering | PN 4084, Lot No. 3695<br>Kawasan Perindustrian Teluk Kalong<br>Mukim Teluk Kalung<br>24000 Kemaman, Terengganu<br>("**Kemaman Warehouse and Yard**") | **Description**<br>Workshop for the business of Steel Hawk<br>**Existing use**<br>Office, warehouse and yard facility | 23,508 | 1 April 2021 to 31 March 2022 with an option to renew for 1 year | RM12,000 |
| 4. | Yee Siew Fen | Steel Hawk Engineering | Lot 5736 Lrg 2<br>Jalan Dato Permaisuri 5A<br>Desa Pujut<br>Bandar Permyjaya, Tudan<br>98100 Miri, Sarawak | **Description**<br>1 unit of single-storey semi-detached house<br>**Existing use**<br>Staff's accommodation[*1] | 3,767 | 1 April 2021 to 31 March 2022 | RM1,000 |

**Note:-**

[*1] Based on enquiry made with Department of Labour, the Employees' Minimum Standards of Housing, Accommodation and Amenities (Amendment) Act 2019 has not been officially implemented in the state of Sarawak at this juncture. Steel Hawk Engineering will submit an application for the Certificate for Accomodation as and when it is required by the Ministry of Human Resources.

## 4.11 Business strategies and future plans

**(i) We plan to set up 2 fire rated door accessories assembly lines to improve efficiency of our deliverables for our contract in relation to the provision of fire rated doors**

Currently, we purchase pre-assembled complete fire rated door sets from our suppliers to be installed at our customers' sites and therefore we rely on our suppliers for the supply of complete fire rated door sets.

As such, we plan to set up 2 fire rated door accessories assembly lines at our workshop facility in Teluk Kalong, Kemaman, Terenganu. Upon setting up, we will procure the parts and components for fire rated door accessories, comprising panic bars and ironmongery (i.e. hinges and locksets) in bulk from our suppliers. We will assemble the fire rated doors accessories at our assembly lines before they are deployed and installed with the fire rated door at our customers' sites. Such arrangement would enable us to improve our cost control and thus profit margins for the supply of complete fire rated door sets. We expect to also have better control over our supply timelines and mitigate our risk of reliance on our suppliers.

This is also a strategy to obtain the Vendor Development Programme ("**VDP**") by PETRONAS. Under VDP, we would be supported by PETRONAS in terms of training, capacity building, product development and enhancement as well as market promotion, which we could leverage on when securing more contracts from PETRONAS.

We plan to set up the assembly lines by second quarter of 2022. The estimated cost for setting up the assembly lines is approximately RM0.41 million, which shall be funded via the proceeds from the Proposed Placement.

**(ii) We plan to construct and own a mud cooler system to capitalise on the umbrella contract with PETRONAS Carigali Sdn Bhd**

We have secured an umbrella contract in May 2018 from PETRONAS Carigali Sdn Bhd, for the provision of drilling fluids and associated services for petroleum arrangement contractors. This umbrella contract is valid until May 2023.

Under this umbrella contract (which has no fixed value), PETRONAS Carigali Sdn Bhd may issue work orders for the abovementioned services as and when required over the duration of the umbrella contract. We will then submit a tender for each work order and compete with the other pre-qualified service providers to secure the work order.

In order to capitalise on our existing umbrella contract, we intend to strengthen our position in closed bidding activities to secure work orders. As such, we intend to construct and own a mud cooler system. With our own mud cooler system, we will be able to participate in closed bidding activities at more competitive bid prices, which will subsequently increase our competitiveness and in securing work orders under this umbrella contract.

We have completed the design of the mud cooler system and we plan to commence the construction of the mud cooler system by December 2021. The estimated cost for constructing the mud cooler system is approximately RM0.73 million, which shall be funded via the proceeds from the Proposed Placement as set out in **Section 2.6** of this Information Memorandum.

**(iii) We plan to grow our customer base by acquiring other customers in the energy sector**

We are currently dependent on PETRONAS group as our major customer. We face risk of contract terminations despite securing call out contracts and Master Price Agreements with tenures of 3 to 5 years from PETRONAS group.

As such, we plan to grow our customer base by securing contracts from other customers within the energy sector, in view that our products are also required by other industry stakeholders within the energy sector and our technical capabilities and knowledge in the provision of EPCC services for chemical injection skids, facilities improvement/ maintenance as well as installation and maintenance of oilfield equipment are transferable within the energy sector. We have at the LPD registered ourselves with the Federal Land Development Authority, Tenaga Nasional Berhad, Sime Darby Plantation Berhad and Suruhanjaya Perkhidmatan Air Negara as a service vendor and contractor and the details are as follows:-

| Potential customers | Validity period |
|---|---|
| Federal Land Development Authority | 12 March 2021 – 14 March 2024 |
| Tenaga Nasional Berhad | 25 March 2021 – 14 February 2024 |
| Sime Darby Plantation Berhad | 20 January 2021 – 20 January 2023 |
| Suruhanjaya Perkhidmatan Air Negara | 22 May 2021 – 21 May 2024 |

With these registrations, we are able to participate in tender activities and secure contracts from them, thereby allowing us to expand our revenue sources within the energy sector. At this juncture, we intend to tender for contracts involving the provision of maintenance services for power plants, water treatment plants and other facilities of these companies as well as the supply of equipment such as pumps and valves.

**(iv) We plan to expand our presence in the overseas market**

According to the IMR Report by Smith Zander, in Brunei, the production of crude oil increased from 41.25 million barrels of oil ("**Mbbl**") in 2017 to 44.17 Mbbl in 2019 at a CAGR of 3.84%. The production of liquefied natural gas decreased from 89.06 million barrels of oil equivalent ("**Mboe**") in 2017 to 85.41 Mboe in 2018, but increased to 87.60 Mboe in 2019. Brunei entered into a joint venture with China to develop the Pulau Muara Besar ("**PMB**") oil refinery and petrochemical plant which was set to develop in two phases. The first phase began operation in November 2019 and has the capacity to process 8 million tonnes of crude oil per year. An investment of USD$13.65 billion by the joint venture is expected to support the second phase of the PMB refinery and petrochemical project development which will add processing capacity of 14 million tonnes of crude oil per year upon project completion. The growth in the downstream segment of the oil and gas industry will subsequently drive the growth in the oil and gas services and equipment industry.

According to the IMR Report by Smith Zander, in Indonesia, the production of crude oil and condensates decreased from 292.37 Mbbl in 2017 to 273.49 Mbbl in 2019 at a CAGR of -3.28%. Over the same period, the production of natural gas decreased from 495.12 Mboe in 2017 to 471.97 Mboe in 2019 at a CAGR of -2.37%. To increase the production of oil and gas, the government in Indonesia has introduced incentives and initiatives to attract more investments in the upstream segment of the oil and gas industry. For example, the government in Indonesia had revised certain aspects of the Government Regulation ("**GR**"), particularly GR Number 79 of 2010 pertaining to the oil and gas upstream segment, which was replaced with GR Number 27 of 2017 to allow tax deduction in exploration activities. Further, the introduction of Gross Split Profit Sharing Contractor in 2017 allows for the elimination of taxation in the first year during the exploration to production stage. As investors drive the production of oil and gas, the demand for the oil and gas services and equipment industry as an engineering support industry increases to support the growth in the oil and gas activities.

We intend to leverage on such growth opportunities to expand our presence in Brunei and Indonesia. We plan to appoint distributors and suppliers in Brunei and Indonesia and leverage on their network to supply our products to the O&G industry. As at the LPD, we are identifying suitable distributors and suppliers and we aim to expand our reach to the O&G industry in Brunei and Indonesia within 2 to 3 years of our Proposed Listing.

In the FYE 31 December 2021, we successfully secured our first overseas order from a customer in Brunei to supply oilfield equipment which was fulfilled in February 2021. Moving forward, we plan to further capitalise on our expertise and experience in the O&G industry to further expand our presence in the overseas market.

## 4.12 Prospects

According to the IMR Report by Smith Zander, the O&G services and equipment industry in Malaysia, represented by revenues of the industry players within the O&G services and equipment industry in Malaysia, declined from RM68.08 billion in 2017 to RM65.10 billion in 2019, registering a CAGR of -2.21% during the period. Further, to curb the spread of COVID-19, many countries have closed their country borders, imposed nationwide lockdowns and/or implemented travel restrictions, which have largely restricted outbound, inbound and domestic tourism as well as business travel, thus causing an unprecedented decline in the demand for oil as fuel by airlines and users of automotive vehicles, which has subsequently led to a slowdown in upstream activities in the O&G industry to stabilise declined oil prices.

Nevertheless, through BPMB, the government of Malaysia has allocated RM2 billion under the SDFF to further its sustainable development goals which are in line with the United Nation's sustainable development agenda. The SDFF is targeted at infrastructure, maritime, O&G and technology sectors.

As part of the Government's effort to strengthen the economy amidst the COVID-19 pandemic, under Budget 2021, RM3.00 billion worth of financing and loan guarantees were allocated under the DPGS for industries such as aerospace and O&G in 2021. The purpose of DPGS is to provide financial aid for companies which have been adversely impacted by COVID-19 to support the continuity of their business operations and safeguard employment.

In addition, according to the Malaysian Investment Development Authority (MIDA), domestic investments amounting to RM353.60 million were approved in 2020 for six projects in the O&G industry. The six projects comprise three projects for O&G services worth RM321.50 million while the remaining three projects were for O&G machinery and equipment.

As the O&G services and equipment industry is an engineering support industry to the O&G industry, planned inspections, preventive maintenance works and planned repairs continue to be carried out to ensure reliability of equipment and to reduce unplanned breakdown of equipment, as well as to reduce maintenance costs by minimising uneconomic maintenance or overhaul works, wear and tear and other equipment failures.

Moving forward, the O&G services and equipment industry is expected to be further driven by:-

(i) The demand for petroleum products and natural gas which will drive growth of the O&G industry and the O&G services and equipment industry as an engineering support industry;

(ii) Continuous need for technological developments and advancements in O&G services and equipment to enhance the efficiency of processes at new and existing O&G sites; and

(iii) Government support and incentives to promote the O&G industry.

Our Group intends to leverage on our established track record and working relationship with PETRONAS group as well as our technical capabilities and knowledge in providing O&G support services as set out in **Section 4.1** of this Information Memorandum to benefit from the anticipated growing demand for O&G services and equipment industry in Malaysia. We plan to further develop our capabilities with the utilisation of proceeds from the Proposed Placement to set up 2 fire rated door assembly lines as well as to construct and own a mud cooler system, which is expected to broaden our scope of services offered and improve our control of margins and timeliness.

In addition, to grow our business and diversify our sources of revenue beyond our major customer of PETRONAS group, our Group intends to expand our presence in international markets, namely the O&G industry in Brunei and Indonesia, and acquire other customers in the energy sector of Malaysia as set out in **Section 4.11** of this Information Memorandum. We believe these international markets represent attractive opportunities as the O&G industry in Indonesia is supported by government incentives and initiatives such as tax deductions and eliminations for exploration activities while Brunei had entered into a joint venture with China to develop the PMB oil refinery and petrochemical plant, the second phase of which is anticipated to involve an investment of USD$13.65 billion by the joint venture. Our Group is also of the view that our technical capabilities in EPCC services for chemical injection skids, facilities improvement/ maintenance as well as installation and maintenance of oilfield equipment are transferable within the energy sector. Such transferable capabilities include, amongst others, fabrication of metal and non-metal structures, fittings and piping, blasting and painting, project planning, logistics as well as mechanical and electrical engineering.

Overall, our Board is optimistic of the long-term prospects of our Group driven by the expected long term growth of the O&G services and equipment industry in Malaysia supported by Government support and incentives as well as continuous demand for petroleum products and natural gas as highlighted in the IMR report by Smith Zander. Our continued success in securing and completing work orders from PETRONAS group at its onshore and offshore facilities in Peninsular Malaysia, Sabah and Sarawak has provided evidence of our ability to deliver technically-demanding O&G support services across different environments, which we shall leverage to expand into international markets and energy-related sectors.

As such, we believe we are well-positioned to undertake our business strategies and future plans as identified in **Section 4.11** of this Information Memorandum for the purpose of ensuring our long-term growth and sustainability. Against this backdrop, we seek a listing on the LEAP Market of Bursa Securities to facilitate our future growth and strengthen our position as a provider of O&G support services.

*(Source: Our Management)*

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SMITH ZANDER

Date: 10 September 2021

The Board of Directors

**Steel Hawk Berhad**
23-2- & 25-2,
Block H Dataran Prima,
Jalan PJU 1/37,
Petaling Jaya,
47301 Selangor,
Malaysia

Dear Sirs/ Madams,

**Independent Market Research Report on the Oil and Gas ("O&G") Services and Equipment Industry in Malaysia ("IMR Report")**

This IMR Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("**SMITH ZANDER**") for inclusion in the Information Memorandum in conjunction with the listing of Steel Hawk Berhad ("**Steel Hawk**") on the LEAP Market of Bursa Malaysia Securities Berhad.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies mentioned in this report or otherwise.

For and on behalf of SMITH ZANDER:

DENNIS TAN TZE WEN
MANAGING PARTNER

SMITH ZANDER

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The research for this IMR Report was completed on 3 September 2021.

For further information, please contact:

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***About SMITH ZANDER INTERNATIONAL SDN BHD***

*SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.*

***Profile of the signing partner, Dennis Tan Tze Wen***

*Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has 23 years of experience in market research and strategy consulting, including over 18 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.*

# 1 INTRODUCTION

## Objective of the Study

This IMR Report has been prepared in conjunction with the proposed listing of Steel Hawk on the LEAP Market of Bursa Malaysia Securities Berhad.

The objective of this IMR Report is to provide an independent view of the industry and market(s) in which Steel Hawk operates and to offer a clear understanding of the industry and market dynamics. As Steel Hawk is principally involved in the provision of onshore and offshore support services for the O&G industry and is operating within the O&G services and equipment industry, the scope of work for this IMR Report will address the following areas:

(i) O&G services and equipment industry in Malaysia, the industry in which Steel Hawk operates;

(ii) Key demand drivers, risk and challenges of the O&G services and equipment industry in Malaysia; and

(iii) Competitive overview of the O&G services and equipment industry in Malaysia.

# 2 THE O&G SERVICES AND EQUIPMENT INDUSTRY IN MALAYSIA

## 2.1 Overview of the O&G industry in Malaysia

O&G are non-renewable fossil fuels formed by the decomposition of organic materials deposited as sediments on the seabed. The exposure to high temperature and high pressure over millions of years transformed the decomposing organic materials to the present-day hydrocarbon forms. An oil or natural gas field is an area in which O&G exist in significant volumes which indicate material economic value and can be extracted for commercial use.

Oil fields can be discovered onshore or offshore. The oil extracted from oil fields is known as crude oil. Natural gas comprises mixtures of hydrocarbons, which are mostly methane. The hydrocarbons contained in crude oil and natural gas are the energy sources. Natural gas found in combination with crude oil in oil fields is known as associated gas, while natural gas found in natural gas fields is known as non-associated gas.

O&G are important sources of primary energy. O&G are required by power plants to generate electricity and provide fuel for transportation and industrial operations. Besides being used as a source of energy, O&G can also be processed into non-energy petrochemical products such as plastic, fertiliser and pharmaceutical products. Thus, the O&G industry plays an important role in driving the global economy. The exploration, production and distribution of O&G have developed over the centuries and now involve processes that are complex, capital intensive and technologically advanced.

The O&G industry value chain comprises upstream, midstream and downstream segments. The upstream segment refers to the exploration and production activities, while the midstream segment involves processing and transportation activities. The downstream segment refers to the refining of crude oil and natural gas, and the marketing and distribution of refined crude oil and natural gas. O&G companies across the value chain are supported by O&G services and equipment companies that provide engineering support services for the upstream, midstream and downstream segments.

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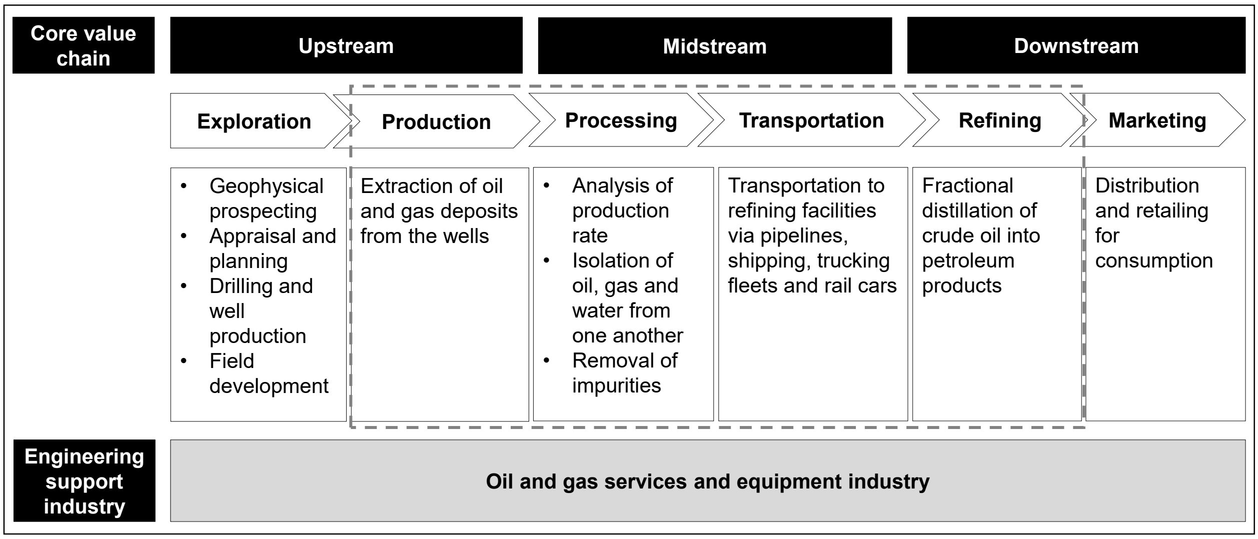
**O&G industry value chain**




*Notes:*

- *The examples listed are not exhaustive.*
- *[dashed box] denotes the segments of the O&G industry value chain which Steel Hawk supports.*

*Source: SMITH ZANDER analysis*

As a country with a large source of natural resources, Malaysia's dependence on these natural resources for national development has evolved over the years with significant economic importance on O&G, tin, rubber and palm oil. Malaysia's O&G industry began with the discovery of oil in Sarawak in 1909 and commercial drilling in the following year, marking the start of a key revenue generating industry for the nation. By the 1970s, crude oil had become an important resource and almost a decade later, crude oil contributed significantly to Malaysia's economy, financing development plans and industrial programmes.

Petroliam Nasional Berhad ("**PETRONAS**") was founded in 1974 and its formation was an impetus for the development of Malaysia's O&G industry. PETRONAS continues to play a major role in the nation's O&G industry today and drives growth through the development of O&G resources as well as creating opportunities for local players to build capacity and capability across the industry's value chain. Over the years, the industry has also welcomed many oil majors which have invested in Malaysia's O&G industry, generating employment opportunities and transferring of skills to thousands of local employees, which have transformed the nation's economic landscape.

PETRONAS, through Malaysia Petroleum Management (MPM), enters into production sharing contracts ("**PSC**"), which are agreements to participate in activities associated with petroleum exploration and production, with other O&G majors such as ExxonMobil, Hibiscus Petroleum, Petrofac, PTT Exploration and Production, Repsol and Shell, amongst others. According to the PETRONAS Activity Outlook 2021-2023, Malaysia's upstream facilities are operated by approximately thirty PSC contractors. In the downstream segment, Malaysia has six operational oil refineries – two in Melaka; two in Port Dickson, Negeri Sembilan; and two in Terengganu.[1] Pipelines, transportation and other logistical assets are primarily owned by PETRONAS and other O&G majors operating in the country.

[1] *Source: United States Energy Information Administration*

## 2.2 Overview of the O&G services and equipment industry in Malaysia

The O&G services and equipment industry provides engineering support services to support the operations in the upstream, midstream and downstream segments within the O&G industry.

The engineering support services for the upstream segment comprise seismic and hydrographic surveys; drilling and drilling related services; engineering and consultancy services; provision of equipment and systems; shipbuilding and repair; fabrication, construction and modification; pipeline and offshore installation; civil and dredging; inspection, maintenance and repair, hook-up and commissioning; transport and logistic services; health, safety, environment and quality assurance or quality control services; personnel services; as well as research and development, amongst others.

Midstream segment engineering support services comprise design and development of storage facilities, storage and handling of crude oil, petrochemicals and other petroleum products; and transportation and logistics, amongst others.

In the downstream segment, engineering support services cater to engineering and consultancy services; fabrication, construction and modification; refinery plant maintenance; catalyst handling services; digital technology solutions, amongst others.

Companies in the O&G services and equipment industry engaged by O&G companies as contractors may either carry out the contracted tasks themselves or hire other subcontractors which comprise equipment suppliers and engineering support service subcontractors.

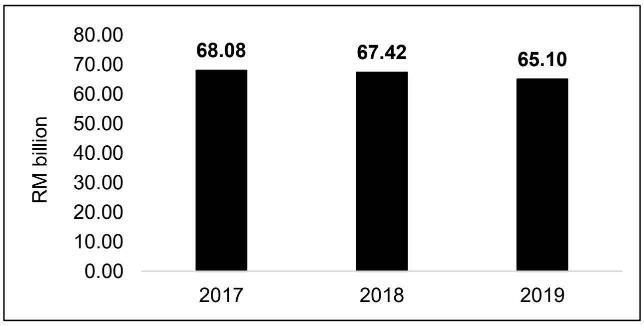
## 2.3 Industry Performance, Size and Growth

As Steel Hawk is principally involved in the provision of onshore and offshore support services for the O&G industry and operate within the O&G services and equipment industry, the computation of the industry size in this section takes into consideration the revenues of the industry players within the O&G services and equipment industry.

The O&G services and equipment industry in Malaysia, represented by the revenues of the industry players within the O&G services and equipment industry in Malaysia, declined slightly from RM68.08 billion in 2017 to RM65.10 billion in 2019, registering a Compound Annual Growth Rate ("**CAGR**") of -2.21% during the period.

The outbreak of the coronavirus disease ("**COVID-19**") since early 2020 has impacted many countries around the world. On 30 January 2020, the World Health Organisation ("**WHO**") declared a public health emergency of international concern on COVID-19. Later, on 11 March 2020, the WHO made the assessment that COVID-19 can be characterised as a pandemic due to the alarming levels of spread and severity and levels of inaction.

**O&G services and equipment industry revenue (Malaysia), 2017-2019**




*Note:*
- *Latest available figures as at 3 September 2021.*

*Sources: Malaysia Petroleum Resources Corporation ("**MPRC**"), SMITH ZANDER analysis*

To curb the spread of COVID-19, many countries have closed their country borders, imposed nationwide lockdowns and/or implemented travel restrictions, which have largely restricted outbound, inbound and domestic tourism as well as business travels, thus causing an unprecedented decline in the demand for oil as fuel by airlines and users of automotive vehicles. In order to stabilise declining oil prices as a result of the restriction/ban on travel, there was a slowdown in upstream activities of exploration and production within the O&G industry in 2020. However, as the O&G services and equipment industry is an engineering support industry to the O&G industry, planned inspections, preventive maintenance works and planned repairs continue to be carried out to ensure reliability of equipment and to reduce unplanned breakdown of equipment.

In 2021, as COVID-19 vaccines rolled out to reduce the spread of COVID-19, country boarders are expected to reopen and travel restrictions are expected to reduce. Thus, tourism activities and business travels are expected to rise in the long run which is expected to increase the demand for oil as fuel by airlines and automotive vehicles and improve the O&G industry outlook. Moving forward, the O&G services and equipment industry is expected to be further driven by the key demand drivers outlined in **Chapter 3 – Key Demand Drivers** of this IMR Report.

# 3 KEY DEMAND DRIVERS, RISKS AND CHALLENGES

## 3.1 Key Demand Drivers

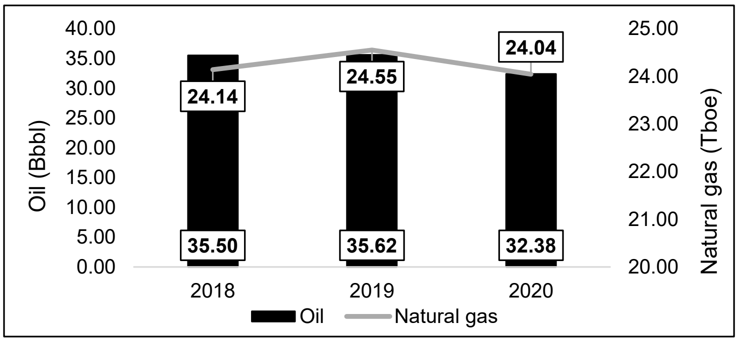
► **The demand for oil and natural gas drives growth of the O&G industry and the O&G services and equipment industry as an engineering support industry**

The increasing demand for oil and natural gas is a key driver for upstream and downstream activities in the global O&G industry. The demand for oil is mainly driven by transportation activities while the demand for natural gas products is mainly driven by power generation.

Between 2018 and 2020, the demand for oil in terms of consumption decreased from 35.50 billion barrels of oil (“**Bbbl**”) to 32.38 Bbbl at a CAGR of -4.50%. The demand for natural gas in terms of final consumption decreased from 24.14 trillion barrels of oil equivalent (“**Tboe**”) to 24.04 Tboe at a CAGR of -0.21%.

The demand for oil is expected to be supported by continuous consumption of oil as fuel for transportation given that the global transportation sector is dependent on petroleum products.

**Global consumption of oil and natural gas, 2018-2020**




*Note:*

- *Latest available figures as at 3 September 2021.*

*Sources: BP Statistical Review of World Energy, SMITH ZANDER analysis*

The total number of global vehicles in use is expected to increase by 20.95% from 1.48 billion units in 2020 to 1.79 billion units in 2030.[2] Further, The World Bank forecasts the global population to grow by 24.79% from 2020 to 2050, which will drive the demand for O&G to support daily household activities, transportation, manufacturing and power generation.

► **Continuous need for technological developments and advancements to enhance the efficiency of processes at O&G sites drive the demand for O&G services and equipment**

The continuous demand for innovative and improved technologies in the O&G industry is driven by the need for more cost-effective and practical techniques to recover natural reserves at marginal and maturing fields while maintaining productivity levels.

According to the PETRONAS Activity Outlook 2018-2020, PETRONAS acknowledged that new technologies are inevitable and essential to increase the competitiveness of Malaysia’s O&G industry. PETRONAS encourages industry players to increase value-adding suite of services and thereby increasing offerings and lower production costs. For instance, traditional methods of plant inspection and maintenance involve the use of scaffolds and rope access for working-at-height. These methods are labour intensive with high health, safety and environment risks. Through the adoption of advanced

[2] *Source: International Rubber Study Group*

technologies such as robots and drones, inspection and maintenance processes can be carried out with reduced risks of lost time injuries and costs.

When the operational processes are more cost-effective and efficient, O&G industry players may enjoy lower production costs and subsequently may be able to channel more capital investments in exploration activities to discover new sites for extraction of O&G reserves. With increased activities within the O&G industry, O&G services and equipment industry is expected to grow in tandem to support the O&G industry.

► **Government support and incentives to promote the O&G industry drives the growth of the O&G services and equipment industry**

Through Bank Pembangunan Malaysia Berhad ("**BPMB**"), the Government of Malaysia has allocated RM2.00 billion under the Sustainable Development Financing Fund ("**SDFF**") to further its sustainable development goals which are in line with the United Nation's sustainable development agenda. The SDFF is targeted at infrastructure, maritime, O&G and technology sectors.

PETRONAS aims to nurture and develop the capabilities of local O&G services and equipment companies to establish a sustainable O&G services and equipment industry that can benefit the economy. With this, PETRONAS introduced several initiatives such as the Vendor Development Programme ("**VDP**"), Vendor Financing Program ("**VFP**"), and the PETRONAS Activity Outlook, amongst others. Under the VDP, PETRONAS appoints local O&G services and equipment companies as vendors and provide guidance to help them to develop expertise. In 2019, 108 O&G services and equipment companies were appointed as vendors to provide services and equipment to PETRONAS under the VDP, with an estimated RM9.00 billion worth of contracts awarded. Under the VFP, PETRONAS collaborates with banking and financial institutions to ease access to financing where over 130 O&G services and equipment companies have gained financial assistance through the VFP. PETRONAS also provides guidance in resource planning and investment decision-making, according to current and future projects for the reported period in the PETRONAS Activity Outlook. For instance, the PETRONAS Activity Outlook 2021-2023 provides information on the activity outlook in the upstream and downstream segments of the O&G industry in Malaysia within the three-year period of 2021 to 2023 to indicate opportunities for support services for O&G services and equipment providers.

As part of the Government of Malaysia's effort to strengthen the economy amidst the COVID-19 pandemic, under Budget 2021, RM3.00 billion worth of financing and loan guarantees were allocated under the Danajamin PRIHATIN Guarantee Scheme for industries such as aerospace and O&G gas in 2021. The purpose of the Danajamin PRIHATIN Guarantee Scheme is to provide financial aid for companies which have been adversely impacted by COVID-19 to support the continuity of their business operations and safeguard employment.

In addition, according to the Malaysian Investment Development Authority (MIDA), domestic investments amounting to RM353.60 million were approved in 2020 for six projects in the O&G industry. The six projects comprise three projects for O&G services worth RM321.50 million while the remaining three projects were for O&G machinery and equipment.

The demand for the O&G services and equipment services is expected to increase to support the Government of Malaysia's investments and plans to spur the O&G industry.

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## 3.2 Key Industry Risks and Challenges

**► Strong dependency on the changes in requirements or standards outlined by PETRONAS for the O&G services and equipment industry in Malaysia**

The Petroleum Development Act 1974 gives PETRONAS exclusive ownership rights to the O&G resources in Malaysia and makes it the main licensing body for upstream O&G activities. Under the Petroleum Development Act 1974, upstream activities, which are exploration, development and production of resources, are carried out through the PSCs.

PETRONAS is also the regulator of all upstream activities where the Petroleum Regulations 1974 provides PETRONAS the rights to issue licenses to any contractors to commence and continue any business or render services pertaining to upstream activities.

As such, O&G services and equipment industry players are required to comply with the requirements or standards outlined by PETRONAS to obtain relevant licenses to render services pertaining to upstream activities. As a result, industry players have to continuously adapt in terms of resources or operations including continuous technological and technical advancements to the requirements or standards outlined by PETRONAS. Industry players who are not able to comply or adapt their resources or operations to meet the requirements set by PETRONAS may not be able to obtain or renew licenses to supply and render services in the upstream sector of the O&G industry or participate in any tenders to render services. As such, the financial performance of these O&G services and equipment industry players may be adversely affected.

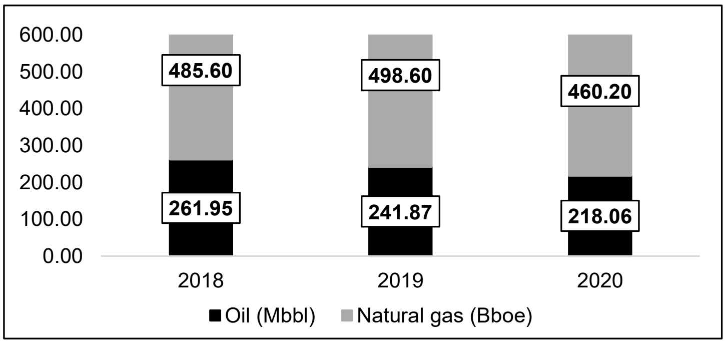
**► O&G services and equipment industry is dependent on the growth of the O&G industry**

The O&G industry value chain comprises various activities which require the support of the O&G services and equipment industry to supply O&G companies with specialised services and equipment for specific functions. The growth of the O&G services and equipment industry is reliant, to a certain extent, on the performance of the O&G industry which is affected by O&G prices and supply and demand for O&G, which subsequently affect the production of O&G.

The production of oil in Malaysia decreased from 261.95 million barrels of oil ("**Mbbl**") in 2018 to 218.06 Mbbl in 2020 at a CAGR of -8.76%. Over the same period, the production of natural gas in Malaysia decreased from 485.60 billion barrels of oil equivalent ("**Bboe**") in 2018 to 460.20 Bboe in 2020 at a CAGR of -2.65%.

The decline in production of oil can be attributed to production cuts to boost oil prices following the agreement between the Organization of Petroleum Exporting Countries ("**OPEC**") and non-OPEC members.

**Production of oil and natural gas (Malaysia), 2018-2020**




*Note:*

- *Latest available figures as at 3 September 2021.*

*Sources: BP Statistical Review of World Energy, SMITH ZANDER analysis*

The decline in the O&G industry activities, particularly in the upstream segment, may have an adverse impact on the downstream segment and the O&G services and equipment industry as an engineering support industry. As a result, the business and financial performance of O&G services and equipment companies may be negatively impacted. Nevertheless, this negative impact is expected to be cushioned against the continuous need for O&G services and equipment services at existing O&G sites for planned inspections, preventive maintenance works and planned repairs. These continue to be carried out to ensure reliability of equipment and reduce unplanned breakdown of equipment.

# 4 COMPETITIVE OVERVIEW

## 4.1 Competitive Landscape

The O&G services and equipment industry in Malaysia is fragmented and competitive due to the large number of industry players including public listed companies, large private companies and small to medium enterprises, competing in the provision of various types of O&G services and equipment.

Steel Hawk is involved in the provision of onshore and offshore support services for the O&G industry. O&G services and equipment industry players in the O&G industry, such as Steel Hawk, compete in product pricing, range and quality of product and service offerings, ability to delivery on timely manner and availability of stock, amongst others. O&G services and equipment industry players in Malaysia are required to obtain relevant licenses from PETRONAS to supply and render services in the upstream sector of the O&G industry. As an engineering support industry, industry players are required to have in-depth technical knowledge of mechanical, chemical and electrical systems including pipeline networks and control systems used in upstream activities such as drilling and extraction, as well as midstream activities and downstream activities.

## 4.2 Industry Players of the O&G Services and Equipment Industry

Due to the fragmented nature of the O&G services and equipment industry in Malaysia, this section focuses on public listed companies in Malaysia who are involved in the provision of similar onshore and offshore support services as Steel Hawk.

| Name | Examples of oil and gas services and equipment activities[a] | Latest available financial year | Revenue (RM million) |
|---|---|---|---|
| Sapura Energy Berhad | Engineering, procurement, construction and commissioning ("**EPCC**"); hook-up and commissioning; well engineering and design; well intervention and decommissioning | 31 January 2021 | 5,347.82 |
| Serba Dinamik Holdings Berhad | EPCC; installation and maintenance (e.g. turbomachinery installation commissioning service; field overhaul services; workshop repair) | 31 December 2019 | 4,528.62 |
| Dialog Group Berhad | EPCC; installation and maintenance (e.g. plant maintenance, shutdowns and turnaround; tank cleaning and repair; installation of piping products, pressure vessels and steel structures); hook-up and commissioning | 30 June 2020 | 2,303.45 |
| Muhibbah Engineering (M) Berhad | EPCC; installation; repair and maintenance (e.g. cranes, offshore supply vessels and anchor handling tugboats) | 31 December 2020 | 1,199.56 |
| Dayang Enterprise Holdings Berhad | Fabrication (e.g. pipe and valve systems); maintenance (e.g. topside structure; pipes and valves; electrical and instrumentation); hook-up and commissioning; offshore marine support services | 31 December 2020 | 731.44 |
| Deleum Berhad | EPCC; installation and maintenance (e.g. mechanical seal removal and installation; slickline and well services; corrosion solutions) | 31 December 2020 | 592.10 |
| Petra Energy Berhad | EPCC; installation and maintenance (e.g. helideck installation; rejuvenation of platforms; electrical and instrument maintenance and calibration); hook-up and commissioning; equipment packaging and manufacturing; offshore marine support services; oil field optimisation | 31 December 2020 | 422.36 |
| Carimin Petroleum Berhad | Engineering; scheduled/ work pack development; procurement; structural/ piping fabrication; electrical/ instrumentation installation; hook-up and commissioning; | 30 June 2020 | 373.86 |

| Name | Examples of oil and gas services and equipment activities[a] | Latest available financial year | Revenue (RM million) |
|---|---|---|---|
| | supply of manpower; equipment rental and maintenance; facilities maintenance; geophysical services | | |
| Barakah Offshore Petroleum Berhad | EPCC; transportation and installation (e.g. offshore structures); hook-up and commissioning; pipeline services (pre-commissioning, commissioning and decommissioning); offshore marine support services; underwater services (e.g. inspection, maintenance, repair, drilling support and related-services for underwater facilities) | 30 June 2020 | 221.04 |
| Daya Materials Berhad | EPCC; installation; drilling and well abandonment; well intervention; pipe recovery; production enhancement; maintenance (e.g. heating, ventilation and air-conditioning systems) | 30 June 2020[b] | 204.22 |
| T7 Global Berhad | EPCC; installation and maintenance (e.g. installation of floating and mobile offshore facilities; offshore splash zone maintenance); manpower supply; underwater services; well intervention and decommissioning | 31 December 2020 | 189.41 |
| Handal Energy Berhad | Pipeline engineering services (e.g. pipeline inspections and pipeline isolation); integrated crane services (e.g. fabrication, maintenance, refurbishment and overhaul of cranes) | 30 June 2020 | 99.15 |
| Ocean Vantage Holdings Berhad | Engineering, procurement and construction; project management; manpower supply; materials, tools and equipment supply (e.g. cranes and scaffolds); drilling rig charter services | 31 December 2020 | 73.75 |
| Steel Hawk Berhad | EPCC; installation and maintenance of oilfield equipment; supply of oilfield equipment | 31 December 2020 | 19.87 |

*Notes:*
- *Latest available as at 3 September 2021.*
- *Industry players in this list may also be involved in other sectors and/or in the provision of other products and services.*

a *This list is not exhaustive.*
b *The financial statements for the latest available financial year covered a period of 18 months from 1 January 2019 to 30 June 2020.*

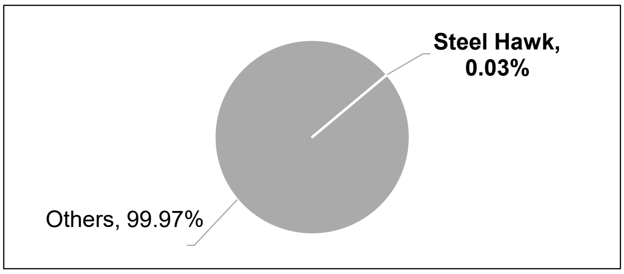
*Sources: Steel Hawk, various company websites and annual reports, SMITH ZANDER analysis*

## 4.3 Industry Share

In 2019, the O&G services and equipment industry size, as represented by the revenues of the industry players within the O&G services and equipment industry in Malaysia, was recorded at RM65.10 billion.

For the year ended 31 December 2019, revenue for Steel Hawk was recorded at RM20.45 million and thereby captured an industry share of 0.03% in Malaysia.

**O&G services and equipment industry share in Malaysia, 2019**




*Sources: MPRC, Steel Hawk, SMITH ZANDER analysis*

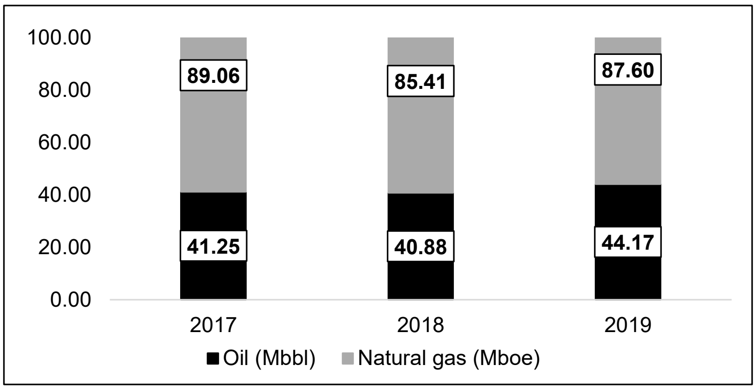
# 5 OVERVIEW OF THE O&G INDUSTRY IN BRUNEI AND INDONESIA

## 5.1 Overview of the O&G industry in Brunei

The O&G industry is the main driver for growth of the Brunei economy, accounting for 77.27% of government revenue share in 2019.[3] Brunei has been dependent on the upstream segment of the O&G industry to support the nation's economy for many years. According to the Economic Blueprint for Brunei Darussalam 2020, Brunei is steering its focus on the development of the downstream segment of the O&G industry as one of its top 5 priority sectors to ensure a more sustainable economy in the future.

The production of oil in Brunei increased from 41.25 Mbbl in 2017 to 44.17 Mbbl in 2019 at a CAGR of 3.48%. Over the same period, the production of natural gas in Brunei decreased from 89.06 million barrels of oil equivalent ("**Mboe**") in 2017 to 87.60 Mboe in 2019 at a CAGR of -0.82%. The decline in production of natural gas is attributed to maturing oil and gas fields.

**Production of oil and natural gas (Brunei), 2017-2019**




*Note:*
- *Latest available figures as at 3 September 2021.*

*Sources: Department of Economic Planning and Statistics, Ministry of Finance and Economy; SMITH ZANDER analysis*

The growth of the O&G industry is driven by export as well as refining and petrochemical activities in the downstream segment of the O&G industry. In 2019, 95.86% of oil produced in Brunei was exported and 70.21% of natural gas produced in Brunei was exported.[4] Brunei's export of crude oil and liquefied natural gas increased from B$6.89 billion in 2017 to B$8.21 billion in 2019 at a CAGR of 9.16% with the main export partners being Japan, Australia and India.[5]

Brunei entered into a joint venture with China to develop the Pulau Muara Besar ("**PMB**") oil refinery and petrochemical plant which is being developed in two phases. The first phase began operations in November 2019 and has the capacity to process 8.00 million tonnes of crude oil per year.[6] An investment of USD$13.65 billion by the joint venture is expected to support the second phase which will add processing capacity of 14.00 million tonnes of crude oil per year upon project completion.[7] The growth in the downstream segment of the O&G industry will subsequently drive the growth for O&G services and equipment.

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[3] *Source: Preliminary value estimated by Department of Economic Planning and Statistics, Ministry of Finance and Economy*
[4] *Source: Department of Economic Planning and Statistics, Ministry of Finance and Economy*
[5] *Source: Department of Economic Planning and Statistics, Ministry of Finance and Economy*
[6] *Source: Xinhuanet*
[7] *Source: The Star*

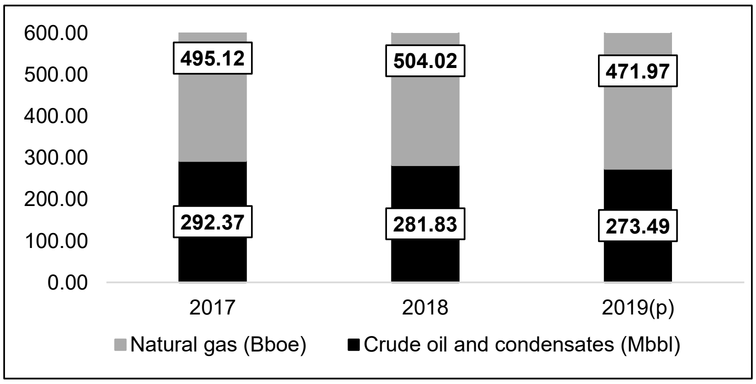
## 5.2 Overview of the O&G industry in Indonesia

Indonesia's first oil production peak was in 1977 where production volumes tripled to 1.60 million barrels per day.[8] In 2007, oil production fell below one million barrels per day and has been declining due to maturing oil fields. However, Indonesia has many unexplored O&G reserves that the government is keen to commercialise.

The production of crude oil and condensates in Indonesia decreased from 292.37 Mbbl in 2017 to 273.49 Mbbl in 2019 at a CAGR of -3.28%. Over the same period, the production of natural gas in Indonesia decreased from 495.12 Bboe in 2017 to 471.97 Bboe in 2019 at a CAGR of -2.37%. According to the Indonesian Petroleum Association, the decline in production of crude oil and condensates and natural gas was attributed to lower yield due to maturing O&G fields.

To increase the production of O&G, the government in Indonesia has introduced incentives and initiatives to attract more investments in the upstream segment of the O&G industry.

**Production of crude oil and condensates and natural gas (Indonesia), 2017-2019**




*Notes:*
- *(p) refers to preliminary figures.*
- *Latest available figures as at 3 September 2021.*

*Sources: Badan Pusat Statistik, SMITH ZANDER analysis*

Indonesia is reliant on new O&G field exploration activities to ramp up production in the long term. While Indonesia has many untapped reserves, a substantial amount of investment and technology is required for production.

The government in Indonesia has revised certain aspects of the Government Regulation ("**GR**"), particularly GR Number 79 of 2010 pertaining to the O&G upstream segment, which was replaced with GR Number 27 of 2017 to allow tax deductions in exploration activities. Further, the introduction of gross split PSC, which is a form of PSC, in 2017 allows for the elimination of taxation in the first year during the exploration to production stage. As investors drive the production of O&G, the demand for the O&G services and equipment industry as an engineering support industry will increase in order to support the growth in O&G activities.

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[8] *Source: Indonesian Petroleum Association*

## 6. RISK FACTORS

***Before investing in our Shares, you should pay particular attention to the fact that our Group, and to a large extent our activities, are governed by the legal, regulatory and business environment in Malaysia and other countries in which we operate in whether presently or in the future. Our business is subject to a number of factors, many of which are outside our control. Prior to making an investment decision, you should carefully consider, along with the other matters set forth in this Information Memorandum, the risks and investment considerations below. You should note that the following list is not an exhaustive list of all the risks that we face or risks that may develop in the future.***

### 6.1 Risks relating to our business and industry

#### 6.1.1 We are dependent on PETRONAS group as our major customer

We are dependent on our major customer namely PETRONAS group, which contributed 95.25% and 100.00% to our revenue in the FYE 31 December 2019 and FYE 31 December 2020, respectively. Further breakdown on revenue contribution from PETRONAS group (by companies) for the FYE 31 December 2019 and FYE 31 December 2020 is as follows:

| | | <------------FYE 31 December-------------> | | | |
|---|---|---|---|---|---|
| | | 2019 | | 2020 | |
| **Name** | **Services provided** | **RM'000** | **% of total revenue** | **RM'000** | **% of total revenue** |
| PETRONAS Carigali Sdn Bhd | EPCC services and facilities improvement/ maintenance, installation and maintenance of oilfield equipment, supply of oilfield equipment | 19,239 | 94.08 | 19,865 | 100.00 |
| PETRONAS Dagangan Berhad | Installation and maintenance of oilfield equipment | 240 | 1.17 | - | - |
| **Total** | | **19,479** | **95.25** | **19,865** | **100.00** |

Our working relationship with PETRONAS group commenced in 2013 through our first contract with PETRONAS Carigali Sdn Bhd involving the supply of chemical injection skids, which had a contract duration of 3 years from May 2013 to May 2016. Between 2013 up to the LPD, we have secured a total of 40 contracts directly with PETRONAS group for the provision of the following services:-

(i) EPCC services and facilities improvement/ maintenance – the provision of EPCC services for chemical injection skids and improvement/ maintenance of topside O&G facilities (i.e. onshore O&G terminal and/or offshore production platform);

(ii) Installation and maintenance of oilfield equipment – the installation, repair, refurbishment and replacement of oilfield equipment (e.g. pig trap system, fire rated doors or oil spill recovery equipment) in topside O&G facilities (i.e. onshore O&G terminals and/or offshore production platform); and/ or

(iii) Supply of oilfield equipment – the supply of oilfield equipment (e.g. pig trap system, fire rated doors or oil spill recovery equipment), as well as their parts and components, undertaken through purchase orders on an ad-hoc basis (involves the standalone supply of oilfield equipment to our customers without any installation or maintenance provided).

We have also entered into long term contracts and Master Price Agreements with PETRONAS group for the abovementioned services with contract durations that range from 3 to 5 years with options for extension of up to 2 years. As at the LPD, we have 10 ongoing contracts with PETRONAS group with expiration date of up to October 2025 as set out in **Section 4.1.1** of this Information Memorandum.

Given the past and on-going contracts with the PETRONAS group, they may continue to account for similar proportion of our Group's total revenue in the near future in view of our established working relationships with PETRONAS group which started since 2013. As such, we have been reliant upon PETRONAS group for our projects and there is no assurance that PETRONAS group may continue to account for similar proportion of our Group's revenue in the near future.

Despite having secured long term contracts and Master Price Agreements with the PETRONAS group, there is no assurance that the long term contracts and Master Price Agreements will remain. Any termination of the long term contracts and Master Price Agreements and our inability to secure new customers to replace the loss of business in a timely manner could result in a loss of revenue and will adversely affect our financial performance. In addition, there is no assurance that PETRONAS group will continue to engage us in the future. In the event that PETRONAS group terminate their business relationships with our Group, we may not be able to secure other customers who can contribute the similar proportion of the revenue on a timely basis.

Furthermore, our business operations and financial performance may be adversely affected should there be any adverse changes specific to PETRONAS group's operations, financial performance and external factors that are beyond their control. PETRONAS group is subject to inherent risks in the O&G industry, particularly on the level of capital spending and activity in the exploration, development as well as production of crude oil and gas which are influenced by the fluctuation of crude O&G price. In a situation of diminishing level of the aforesaid exploration, development and production activities, PETRONAS group operations will be adversely affected which may result in the delay and/ or default in their contractual payments to us and may also lead to the decline in the number of contracts to be awarded to us. Given the above, there is no assurance that our financial performance and business operations will not be adversely affected by our reliance on PETRONAS group.

### 6.1.2 We are dependent on PETRONAS license and we are required to comply with SWEC Requirements

We operate within the O&G services and equipment industry where our business activities are to support the upstream, midstream and downstream segments of the O&G industry. Based on the Petroleum Development Act 1974 and Petroleum Regulations 1974, in order to participate in the O&G activities in Malaysia, a company is required to have a valid license issued by PETRONAS.

In December 2012, via Steel Hawk Engineering, we obtained our PETRONAS license which enables us to supply products and services to the upstream, midstream and downstream segments of the O&G industry in accordance with the Petroleum Development Act 1974 and Petroleum Regulations 1974. As at the LPD, our PETRONAS license has a validity period of 3 years up to December 2021 and it is subject to renewal every 3 years. As such, we are dependent on the PETRONAS license for the continuity of our core business operations.

In addition to having a valid PETRONAS license, we must meet SWEC requirements for the services that we provide to our customers in Malaysia. Even though we have obtained the required PETRONAS license and have been approved for a number of SWEC, we are subject to continuous review under PETRONAS' conditions, general guidelines and minimum technical requirements which are subject to change from time to time. Please refer to **Section 4.8** of this Information Memorandum for further details of our PETRONAS license and SWEC that we require for our operations.

Some of the conditions/ requirements as stated in PETRONAS' conditions, general guidelines and SWEC requirements relevant to our business which may lead to the revocation, suspension, blacklisting or non-renewal of our PETRONAS license are as follows:-

(i) Commercial/ financial conditions, such as if our Group is found to be in the process of liquidation, winding-up or dissolution;

(ii) Operational conditions, such as failure to execute the award job until completion, failure to perform a contractual obligation or any other obligation under the law to partners, principals, agents, sub-contractors and others, sub-contract work to another contractor without written permission from PETRONAS, and reject any contract or tender awarded; and

(iii) SWEC requirements, such as failure to meet the "Minimum Technical Requirements" including the following, amongst others:-

- availability of key personnel and their minimum qualifications and years of relevant experience;
- availability of relevant facilities and equipment;
- company's minimum years of relevant experience;
- relevant quality and/ or standard accreditations; and
- registrations and/ or licenses from external bodies/ authorities.

In the event we fail to comply with the rules and regulations issued by PETRONAS or we fail to meet our SWEC requirements, PETRONAS may take action against our Group, such as the revocation, suspension, blacklisting and non-renewal of our license. Similarly, any contravention of these rules and regulations can result in penalties, fines and/ or potential criminal prosecution against our Company. Such revocation, suspension, blacklisting and non-renewal of our license will impinge our ability to carry on our business operations and thus affect our profitability.

As at the LPD, our Group has not encountered any revocation, suspension, blacklisting or non-renewal of our license issued by PETRONAS prior to expiration. Nevertheless, while we constantly ensure that we meet PETRONAS' requirements, there can be no assurance that in the future, our Group will be able to secure renewals of our license issued by PETRONAS, continue to be qualified for our existing SWEC or qualify for new SWEC, especially if there are changes to the present rules, guidelines, regulations and/ or policies.

### 6.1.3 We are required to comply with the minimum Bumiputera requirements for SWEC

The minimum Bumiputera requirements for SWEC range from 100%, 51% and 30%. There are also SWECs with no requirement on Bumiputera participation.

As at the LPD, the SWECs held under our PETRONAS License only require either 30% or 51% Bumiputera equity. Accordingly, our Group is in compliance with the Bumiputera requirements for SWEC, given that the Bumiputera shareholders of our Group ("**Bumiputera Promoters**") currently hold 51% equity interest in our Company.

Upon the Proposed Listing, our Group's Bumiputera Promoters' shareholdings will be diluted from 51% to approximately 45.9%, which is below certain SWECs with minimum 51% Bumiputera requirement.

Notwithstanding the above, there is a flexibility given for "Berhad" (public-listed) company or "Sdn Bhd" company which is owned at least 51% by a Berhad company to hold a minimum of 35% Bumiputera equity when applies for SWECs with minimum 51% Bumiputera requirement. It is our obligation to fulfill the 35% Bumiputera Requirement and ensure full compliance to the terms stated in the PETRONAS License/ Registration General Guidelines.

Based on the 35% Bumiputera Requirement, our Group will continue to meet the minimum Bumiputera requirements for SWEC after the listing of our Shares on the LEAP Market, given that the shareholdings of the Bumiputera Promoters of approximately 45.9% (indirect interest) in Steel Hawk Engineering after the listing of our Shares on the LEAP Market meets the 35% Bumiputera Requirement. This is in line with the flexibility given for public listed company specified under the PETRONAS License/ Registration General Guidelines.

Nonetheless, there can be no assurance that changes to the present conditions or the introduction of new Bumiputera requirements for SWEC (if any) will not affect the renewal of our PETRONAS License upon its expiry on December 2021. As highlighted in **Section 6.1.2** above, in the event we fail to meet the Bumiputera requirements for SWEC, PETRONAS may take action against our Group, such as the revocation, suspension, blacklisting and non-renewal of our PETRONAS license. Should PETRONAS take any such action against our Group, our business and financial performance could be adversely affected as we are dependent on PETRONAS group as our major customer, which contributed 95.25% and 100.00% to our revenue in the FYE 31 December 2019 and FYE 31 December 2020, respectively.

### 6.1.4 We may be affected if PETRONAS group and other O&G players reduce their capital investment and/ or operating expenditure

There is a risk that PETRONAS group as our major customer and other O&G players may reduce their activities in, amongst others, O&G production, processing and transportation or delay, suspend and/ or terminate some of their projects due to, amongst others, the COVID-19 pandemic and/ or a sustained low crude oil price environment.

Should PETRONAS group and other O&G players reduce their O&G activities or delay, suspend and/ or terminate some of their projects, there may be a reduction in their spending on capital investment and/ or operating expenditure which could reduce the demand for our Group's services. Consequently, this may have an adverse effect on our business operation and financial performance.

### 6.1.5 The COVID-19 pandemic and other possible future outbreaks/ pandemics could impact our business operations and financial performance

On 16 March 2020, the Government had announced the 1st MCO effective from 18 March 2020 to contain the COVID-19 outbreak. The 1st MCO was extended until 30 April 2020, via a series of extensions. Subsequently, the Government has implemented various replacement/ additional MCOs (e.g. the conditional and recovery MCO) in Malaysia of varying restrictions and durations in response to the on-going COVID-19 pandemic.

The COVID-19 pandemic and any other possible future outbreaks/ pandemics may significantly and adversely affect our business operations and financial performance. In the event of a spread of viruses among our employees, our employees will be subjected to quarantines. This may delay our project completions as our business operations may be affected.

Further, the COVID-19 pandemic or any other possible future outbreaks/ pandemics may adversely affect the receipt of supplies from our suppliers or delay in delivery schedules to our customers' sites due to logistics disruptions.

Pursuant to the announcement by the Government on the 1st MCO effective from 18 March 2020, PETRONAS issued a statement on its position that O&G, production, refining, storage, supply and distribution of fuel and lubricants are considered essential services as per the announcement made by the Prime Minister of Malaysia and specified under section 2 (First Schedule), Act 177, Industrial Relations Act 1967. Therefore, all operations falling within the above essential services including all support services should continue, with the respective parties' necessary working arrangements and precaution as may be appropriate, until advised otherwise by the Government. As such, our Group's operations are deemed to fall under essential services and our Group has been permitted to continue operations during the 1st MCO and the subsequent MCOs (including the conditional and recovery MCOs) that followed. As at the LPD, the COVID-19 pandemic has not adversely affected our business operations nor our financial performance. However, there is no assurance that the COVID-19 pandemic or other possible future outbreaks/ pandemics will not affect us.

As at the LPD, our Group has incurred approximately RM0.03 million to implement precautionary measures to contain the spread of the COVID-19 virus and for COVID-19 screening tests. While the cost incurred was not significant, any substantial increase in such additional cost may adversely affect our financial performance.

### 6.1.6 We are dependent on our key management team and technical personnel for continued success and the loss of their continued service may affect our business operations

Our continuous success, future business growth and expansion will depend upon our ability to identify, engage and retain suitable, skilled and experienced employees, including our key management team with the essential industry experience, knowledge and expertise. Our key management are vital in driving the future growth of our Group as they contribute in aspects such as strategic direction, leadership, business planning and development as well as the management of our Group.

Our Group's key management personnel that lead and oversee our projects, namely Dato' Sharman, Salimi bin Khairuddin and Khairul Nazri Bin Kamarudin, have approximately 17 years, 12 years and 7 years of experience in the O&G industry as at the LPD. They have been actively involved in our Group's daily business operations as well as formulating and implementing strategies to drive the growth and expansion of our Group. Accordingly, their extensive knowledge and experience in the O&G industry is invaluable to our Group.

Apart from the above individuals, our other key management personnel, namely Datin Annie A/P V Sinniah and Lee Swee Ann, also play a pivotal role in our daily business operations based on their experience in their respective fields and in-depth knowledge on our business. Further information on the profiles of our key management team are set out in **Section 7.3.2** of this Information Memorandum.

Further, as at the LPD, we have a total workforce of 100 employees in which we have 85 technical personnel, which accounted for 85.00% of our total employees. As the O&G industry is technical and specialised, our technical personnel are essential to carry out various engineering and technical works in our business operations.

There can be no assurance that we will be successful in retaining our existing key management team or there will be a smooth transition should changes occur, which may bring about an adverse impact on our Group. The loss of any personnel in our key management team without suitable replacement in a timely manner and inability to hire new qualified technical personnel may adversely affect our business operations. This will delay our project completions and may eventually affect our ability to maintain and/or improve our business performance.

### 6.1.7 We face competition within the O&G services and equipment industry

We operate in the O&G services and equipment industry in Malaysia and we are subject to competition from existing O&G services and equipment providers as well as potential new entrants in the industry in terms of range of services and equipment, technical expertise, ability to meet technical, quality and safety requirements, and reliability and efficiency of deliverance, amongst others. Increasing competition in the O&G services and equipment industry has, and is expected to continue to have an impact on our Group's operational results and financial performance.

The competition we face from existing industry players and potential new market entrants may impact our revenue and profitability as we are required to participate in tender activities with a more competitive bid prices in order to secure new contracts. Therefore, we are exposed to the risk that we may be unable to compete effectively against our existing or potential competitors, which will have material and adverse effects on our business operations and financial performance.

### 6.1.8 Our future growth depends on our ability to execute our business strategies and future plans

Our business strategies and future plans are as follows:

(i) Set up 2 fire rated door assembly lines to improve our profit margins and efficiency of our deliverables for our contract in relation to the provision of living quarters and modularised offshore buildings maintenance and fire rated doors;

(ii) Construct and own a mud cooler system to capitalise on the umbrella contract with PETRONAS group;

(iii) Grow our customer base by acquiring other customers in the energy sector; and

(iv) Expand our presence in the overseas market.

Please refer to **Section 4.11** of this Information Memorandum for further information on our business strategies and future plans.

The implementation of these business strategies and future plans involves capital expenditure as well as other operating expenses such as depreciation charges, maintenance costs of systems and equipment and staff costs. The feasibility and implementation of such business strategies and future plans will also depend on, amongst others, favourable economic conditions and the timing of execution.

There is no assurance that the execution of our business strategies and future plans will be successful, nor will we be able to anticipate all the risks and uncertainties that may arise during the implementation of these business strategies and future plans, which may materially affect the business operations and financial performance of our Group.

### 6.1.9 We are subject to warranty claims for defects in our deliverance

We typically provide warranty against defects for a period of between 12 months and 36 months, as stipulated in the contracts. In the event of any defects during the warranty period, our customer may require us to replace the defective works and bear the reinstallation costs.

In the FYE 31 December 2019 and FYE 31 December 2020, warranty claims amounted to nil and RM5,771, which accounted for nil and 0.03% of our revenue, respectively. While these warranty claims were not significant, any substantial increase in warranty claims may adversely affect our financial performance.

### 6.1.10 We are subject to credit risk and default payment by our customers

Our Group is dependent on the ability of our customers to make timely or full payments to us as any payment delays from them will result in a negative impact on our Group's cash flow position. Under such circumstances, we may provide impairment loss on trade receivables or write off trade receivables as bad debts, which will adversely affect our financial performance.

We generally grant our customers 30 days credit period. Our trade receivables turnover period for the FYE 31 December 2019, FYE 31 December 2020 and FPE 30 June 2021 were 11, 11, and 16 days, respectively. The turnover period was within the normal credit period granted by us to our customers. Please refer to **Section 8.2.11** of this Information Memorandum for details on our trade receivables turnover and our outstanding trade receivables which yet to be collected.

Notwithstanding the above, there can be no assurance that payments from any of our customers will be received in full or on time in the future. In the event of a delay, missed or reduced in payments to us, our Group's operating cash flow and liquidity will be materially and adversely affected.

## 6.2 Risks relating to our Shares

### 6.2.1 There may not be an active or liquid market for our Shares

The listing of and quotation for our Shares on the LEAP Market does not guarantee that an active market for the trading of our Shares will develop. Further, the participation in the LEAP Market is limited to mainly Sophisticated Investors, which in turn limits the potential liquidity level in the market. It may be more difficult for Sophisticated Investors to realise their investment on the LEAP Market.

The market price of our Shares may fluctuate as a result of variations in the liquidity of the market for our Shares, differences between our actual financial operating results and those expected by investors and analysts, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

In addition, many of the risks described elsewhere in this Information Memorandum could materially and adversely affect the market price of our Shares. Accordingly, there can be no assurance that our Shares will not trade at prices lower than the Issue Price.

### 6.2.2 There may be a potential delay or failure of our Proposed Listing

The occurrence of any one or more of the following events, which may not be exhaustive, may cause a delay in our Proposed Listing, or our Proposed Listing to be aborted:-

(i) we are unable to meet the public shareholding spread requirements as determined by Bursa Securities, whereby at least 10% of our total number of issued shares must be held by public shareholders at the point of our Proposed Listing; or

(ii) the revocation of approvals from the relevant authorities for our Proposed Listing and/or admission to the Official List of the LEAP Market for whatever reason.

In this respect, we will endeavour to comply with the various regulatory requirements for our Proposed Listing. However, there can be no assurance that the abovementioned factors will not cause a delay in or non-implementation of our Proposed Listing.

In the event our Proposed Listing does not take place within 6 months from the date of Bursa Securities' approval (or such further extension of time as Bursa Securities may allow), or we abort our Proposed Listing, Sophisticated Investors will not receive any Shares and all monies paid will be returned in full without interest within 14 days. Our Directors shall be jointly and severally liable to repay the monies with interest at the rate of 10% per annum or such other rate as may be prescribed by Bursa Securities upon expiration of that period until full refund is made.

In the event our Proposed Listing is aborted and/or terminated and our Shares have been allotted to the Sophisticated Investors, a return of monies to all of our shareholders can only be achieved by way of cancellation of share capital as provided under the Act and its related rules. Such cancellation requires the sanction of our shareholders by way of special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya. There is no assurance that such monies can be recovered within a short period of time or at all in such circumstances.

### 6.2.3 We may not be able to pay dividends in the future

We are a holding company and we conduct all our operations through our wholly-owned subsidiary, namely Steel Hawk Engineering. Accordingly, our main source of income, which is an important factor in our ability to pay dividends to our shareholders, is the receipt of dividends and other distributions to us from Steel Hawk Engineering. It is our Board's policy to recommend and distribute minimum dividends of 30.0% of our annual PAT attribution to shareholders of our Company. This will allow our shareholders to participate in our Group's profits. Any final dividends declared are subjected to the approval of our shareholders at our annual general meeting.

Our ability to declare dividends or make other distributions to our shareholders may also be subject to restrictions contained in our existing and/ or future loan agreements, the future financial performance and cash flow position of our Group and subject to us having profits and sufficient funds which are in excess to our requirements to fund our operations, other obligations or business plans. Deterioration of these factors could have a material adverse effect on our business and inability to declare dividends to our shareholders.

There is no assurance that our Company will be able to distribute dividends to our shareholders as a result of the above-mentioned factors. There is also no assurance that we will be able to record profits and have sufficient funds for our operations, other obligations and business plans to declare dividends to our shareholders in the future.

### 6.2.4 Our Promoters may have continued control

Upon our Proposed Listing, our Promoters will collectively hold 144,000,000 Shares, representing approximately 90.00% of our enlarged issued shares. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Company as well as influence the outcome of certain matters requiring the voting of our shareholders, unless our Promoters are required to abstain from voting by law and/or by the relevant guidelines or regulations.

Nevertheless, we have appointed Haslinda Binti Hussein as our Chairperson/ Independent Non-Executive Director and she will have an active role in our Board to ensure all future transactions involving related parties, if any, are entered into on normal commercial terms that are not more favourable to the related parties than those generally available to third parties.

### 6.2.5 There may be a potential dilution of shareholders' equity

We may require additional funding for future growth. This may result in dilution of our shareholder's equity, or restrictions imposed by additional debt funding such as, amongst others, maintenance of a certain level of current ratio, gearing ratio and/ or dividend payouts.

Our capital requirements are dependent on, amongst others, our business, the availability of our resources for attracting, maintaining and enlarging our client base and the need to maintain and expand our operations. Thus, we may need additional capital expenditure for mergers and acquisition or investments. An issue of Shares or other securities to raise funds will dilute shareholders' equity interest and may, in a case of a rights issue, require additional investment by shareholders.

## 6.3 Other risks

### 6.3.1 Forward-looking statements are subject to uncertainties and contingencies

Certain statements in this Information Memorandum are based on historical data, which may not be reflective of the future results. Other statements, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Company for future operations, which are forward looking in nature, are subject to uncertainties and contingencies. Although we believe that the expectations reflected in such forward looking statements are reasonable at this time, there can be no assurance that such expectations will subsequently materialise. Their inclusion in this Information Memorandum should not be regarded as a representation or warranty by our Company, Promoters, Approved Adviser or any other advisers that the plans and objectives of our Group will be achieved.

# 7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

## 7.1 Promoters and substantial shareholders

### 7.1.1 Shareholdings

The direct and indirect shareholdings of our Promoters and substantial shareholders in our Company before and after the Proposed Listing are set out below:-

| | | Before the Proposed Listing | | | | After the Proposed Listing | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | <---------Direct---------> | | <--------Indirect--------> | | <---------Direct---------> | | <--------Indirect--------> | |
| | Nationality/ Place of incorporation | No. of Shares | %*1 | No. of Shares | %*1 | No. of Shares | %*2 | No. of Shares | %*2 |
| **Promoters and substantial shareholders** | | | | | | | | | |
| Radiant Capital*3 | Malaysia | 73,440,020 | 51.0 | - | - | 73,440,020 | 45.9 | - | - |
| Salimi Bin Khairuddin | Malaysian | - | - | 73,440,020*4 | 51.0 | - | - | 73,440,020*4 | 45.9 |
| Khairul Nazri Bin Kamarudin | Malaysian | - | - | 73,440,020*4 | 51.0 | - | - | 73,440,020*4 | 45.9 |
| Dato' Sharman | Malaysian | 70,559,980 | 49.0 | - | - | 70,559,980 | 44.1 | - | - |
| Datin Annie A/P V Sinniah | Malaysian | - | - | 70,559,980*5 | 49.0 | - | - | 70,559,980*5 | 44.1 |

**Notes:-**

*1 Based on our existing issued share capital of 144,000,000 Shares before the Proposed Listing.

*2 Based on our enlarged issued share capital of 160,000,000 Shares after the Proposed Listing.

*3 Radiant Capital is held by Salimi Bin Khairuddin and Khairul Nazri Bin Kamarudin with equity interest of 61.0% and 39.0%, respectively.

*4 Deemed interested by virtue of his direct shareholdings in Radiant Capital pursuant to Section 8(4) of the Act.

*5 Deemed interested by virtue of her spouse, Dato' Sharman's shareholdings in our Company pursuant to Section 8 of the Act.

### 7.1.2 Profiles of Promoter and substantial shareholders

The profiles of our Promoter and substantial shareholders are set out below:

**(i) Radiant Capital**
*Promoter and substantial shareholder*

Radiant Capital was incorporated in Malaysia on 9 April 2021 under the Act as a private company limited by shares under the name of Radiant Capital Sdn Bhd (Registration No. 202101013134 (1413433-P)).

As at the LPD, the issued share capital of Radiant Capital is RM100 comprising 100 ordinary shares. The principal activity of Radiant Capital is investment holding.

As at the LPD, the directors and shareholders and their respective shareholdings in Radiant Capital are as follows:-

| | <-Direct interest in Radiant Capital-> | |
|---|---|---|
| **Directors and shareholders** | **No. of shares** | **%** |
| Salimi Bin Khairuddin | 61 | 61.0 |
| Khairul Nazri Bin Kamarudin | 39 | 39.0 |

As at the LPD, Radiant Capital has 1 associate company. The details of Radiant Capital's associate company as at the LPD is set out below:-

| Associate company | Date and place of incorporation | Principal place of business | Issued share capital RM | Principal business activities |
|---|---|---|---|---|
| Steel Hawk | 29 December 2020 Malaysia | Malaysia | 4,608,001 | Investment holding |

**(ii) Dato' Sharman**
*Promoter, substantial shareholder and Executive Director/ Chief Executive Officer*

Dato' Sharman, a Malaysian, aged 42, is our Promoter, substantial shareholder, Executive Director and Chief Executive Officer. He was appointed to the Board on 29 December 2020 and is a Director of Steel Hawk Engineering since 3 October 2012. He is responsible for the overall strategic management of our Group, developing our business, overseeing and monitoring the progress of our projects and coordinating with our project managers on project risk management, budget/ cost controls and planning. He has 17 years of experience in the O&G industry specifically in supplying oilfield equipment, parts and components as well as providing EPCC, installation and maintenance services for onshore and offshore facilities with knowledge in mechanical engineering, procurement and project management, amongst others.

In August 2002, he graduated with a Bachelor of Engineering (Honours) (Aerospace Engineering) from Universiti Sains Malaysia. He was admitted as a Graduate of The Institution of Engineers, Malaysia in the Discipline of Aerospace in March 2017.

He began his career as an engineering lecturer with Prime College (currently known as SEGi College Subang Jaya) in January 2004 until June 2004, where he lectured engineering subjects for undergraduate engineering students.

In July 2004, he incorporated SS Innovations Sdn Bhd and assumed the role as the Managing Director and Chief Executive Officer where he was responsible for the overall strategic, operational and financial management of the company. SS Innovations Sdn Bhd was involved in the trading of automated packaging machinery as well as supply of 2 types of oilfield equipment (i.e. helicopter refueling system and carbon dioxide fire suppression systems) and had gradually reduced its business since September 2012 until it became dormant in 2019.

In October 2012, he incorporated Steel Hawk Engineering and assumed the role of Director/ Chief Technical Officer. Dato' Sharman together with Salimi Bin Khairuddin and Khairul Nazri Bin Kamarudin have been the driving force for the overall business activities such as strategic planning and business development activities of Steel Hawk Engineering.

Save as disclosed in **Section 7.4**, he does not have any involvement in other businesses or corporations outside our Group.

**(iii) Salimi Bin Khairuddin**

*Promoter, substantial shareholder and Executive Director/ Chief Operating Officer (Onshore)*

Salimi Bin Khairuddin, a Malaysian, aged 34, is our Promoter, substantial shareholder, Executive Director and Chief Operating Officer (Onshore). He was appointed to the Board on 29 December 2020 and is a Director of Steel Hawk Engineering since 25 February 2015. He oversees the onshore engineering division of our Group, monitors and coordinates our onshore projects and manages the engineering design and fabrication of our oilfield equipment. He has 12 years of experience in the O&G industry specified to fabrication, engineering design and quality assurance/ quality control of oilfield equipment as well as maintenance and modification services for onshore facilities.

In May 2010, he graduated with the Malaysian Skills Diploma in Welding and Fabrication Technology – Fabrication Management from the National Youth Skills Institute.

He joined Amalgamated Metal Corporation Sdn Bhd in October 2010, as a Production Coordinator and was involved in establishing safety and quality assurance/ quality control programs, reviewing engineering design drawings and coordinating and monitoring projects undertaken by the company. He left Amalgamated Metal Corporation Sdn Bhd in March 2013.

In March 2013, he joined True Features Corporation Sdn Bhd as a Quality Assurance and Quality Control Inspector responsible for performing quality and technical inspections of oilfield equipment as well as coordinating quality assurance and quality control activities.

He left True Features Corporation Sdn Bhd in May 2013 and joined our Group in June 2013 as a Quality Assurance and Quality Control Manager and was responsible for managing the quality assurance and quality control division, as well as coordinating our offshore and onshore projects and engineering works. In February 2015, he was promoted to Chief Operating Officer (Onshore), a position which he presently holds.

Save as disclosed in **Section 7.4**, he does not have any involvement in other businesses or corporations outside our Group.

**(iv) Khairul Nazri Bin Kamarudin**
*Promoter, substantial shareholder and Executive Director/ Chief Operating Officer (Offshore)*

Khairul Nazri Bin Kamarudin, aged 32, is our Promoter, substantial shareholder, Executive Director and Chief Operating Officer (Offshore). He was appointed to the Board on 29 December 2020 and is a Director of Steel Hawk Engineering since 25 February 2015. He oversees the offshore engineering division of our Group, monitors and coordinates our offshore projects and is responsible for work order scheduling as well as facilitating internal and external communications. He has 7 years of experience in the O&G industry specified to engineering design, installation and commissioning of oilfield equipment.

In 2013, he graduated with a Bachelor of Engineering Technology (Hons) in Mechatronics from Universiti Kuala Lumpur.

After graduation, he joined our Group in February 2014 as a Senior Mechanical Engineer, and was responsible for preparing engineering drawings, coordinating engineering reviews and managing and executing work orders for installation, maintenance and fabrication activities. In February 2015, he was promoted to Chief Operating Officer (Offshore), a position which he presently holds.

Save as disclosed in **Section 7.4**, he does not have any involvement in other businesses or corporations outside our Group.

**(v) Datin Annie A/P V Sinniah**
*Promoter, substantial shareholder and Executive Director/ Human Resource and Administration Director*

Datin Annie A/P V Sinniah, aged 60, is our Promoter, substantial shareholder, Executive Director and Human Resource and Administration Director. She was appointed to the Board on 29 December 2020. She is responsible for overseeing the human resource and administration division of our Group including developing and implementing our Group's overall human resource and recruitment strategy, developing our remuneration policies including performance evaluation as well as managing training and counselling programs for our Group's employees. She has 14 years of experience in the management of back-end support functions for companies, covering finance, human resource and administration.

Upon completion of her secondary education, she was employed for various administrative and finance functions until 2007. Subsequently, she obtained an Executive Master in Management from Asia e University in 2016.

In July 2007, she joined SS Innovations Sdn Bhd as the Director and Chief Financial Officer and was responsible for overseeing the finance functions of the company, including budgeting, accounting, preparation of payroll, invoices and monthly and annual financial reports as well as establishing financial policies and procedures for the company. SS Innovations Sdn Bhd was involved in the trading of automated packaging machinery as well as supply of 2 types of oilfield equipment (i.e. helicopter refueling system and carbon dioxide fire suppression systems) and had gradually reduced its business since September 2012 until it became dormant in 2019. She remains as the Director of SS Innovations Sdn Bhd as at the LPD.

In October 2012, she joined our Group as a Human Resource Manager where she was responsible for overseeing our human resource functions, including developing and implementing human resource strategies, addressing any management and/ or employee issues, managing our recruitment process and organising orientation and training programs.

In March 2016, she was redesignated to Finance Manager and was responsible for overseeing our finance functions, including our budgeting, accounting, taxation reporting, cash flow forecasting, preparation of quarterly management reports, payroll, invoices and monthly and annual financial reports. In July 2019, she was promoted to Human Resource and Administration Director, a position which she presently holds.

She is the spouse of Dato' Sharman. Save as disclosed in **Section 7.4**, she does not have any involvement in other businesses or corporations outside our Group.

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## 7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

### 7.2 Directors

#### 7.2.1 Shareholdings

The direct and indirect shareholdings of our Directors in our Company before and after the Proposed Listing are set out below:-

| | | | Before the Proposed Listing | | | | After the Proposed Listing | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | <---------Direct---------> | | <--------Indirect--------> | | <---------Direct---------> | | <--------Indirect--------> | |
| Directors | Designation | Nationality | No. of Shares | %*1 | No. of Shares | %*1 | No. of Shares | %*2 | No. of Shares | %*2 |
| Dato' Sharman | Executive Director and Chief Executive Officer | Malaysian | 70,559,980 | 49.0 | - | - | 70,559,980 | 44.1 | - | - |
| Salimi Bin Khairuddin | Executive Director and Chief Operating Officer (Onshore) | Malaysian | - | - | 73,440,020*3 | 51.0 | - | - | 73,440,020*3 | 45.9 |
| Khairul Nazri Bin Kamarudin | Executive Director and Chief Operating Officer (Offshore) | Malaysian | - | - | 73,440,020*3 | 51.0 | - | - | 73,440,020*3 | 45.9 |
| Datin Annie A/P V Sinniah | Executive Director and Human Resource and Administration Director | Malaysian | - | - | 70,559,980*4 | 49.0 | - | - | 70,559,980*4 | 44.1 |
| Haslinda Binti Hussein | Chairperson/ Independent Non-Executive Director | Malaysian | - | - | - | - | - | - | - | - |

**Notes:-**

*1 Based on our existing issued share capital of 144,000,000 Shares before the Proposed Listing.

*2 Based on our enlarged issued share capital of 160,000,000 Shares after the Proposed Listing.

*3 Deemed interested by virtue of his direct shareholdings in Radiant Capital pursuant to Section 8(4) of the Act.

*4 Deemed interested by virtue of her spouse, Dato' Sharman's shareholdings in our Company pursuant to Section 8 of the Act.

### 7.2.2 Profiles of Directors

The profiles of Dato' Sharman, Salimi Bin Khairuddin, Khairul Nazri Bin Kamarudin and Datin Annie A/P V Sinniah are set out in **Section 7.1.2** of this Information Memorandum.

**(i) Haslinda Binti Hussein**
*Chairperson/ Independent Non-Executive Director*

Haslinda Binti Hussein, aged 43, is our Chairperson/ Independent Non-Executive Director. She was appointed to the Board on 1 May 2021. She has 21 years of experience in finance related functions, involving accounting, tax, budget planning, financial modelling, corporate exercise managements, investment and fund management.

In December 1999, she graduated with a Degree in Commerce majoring in Accounting from Adelaide University, Australia. She is a Chartered Accountant of the Chartered Accountant Australia and New Zealand since March 2003 and Chartered Accountant of the Malaysian Institute of Accountants since November 2018.

She began her career in January 2000 as an auditor in Arthur Andersen and later joined Ernst & Young, Malaysia in June 2002. In June 2003, she joined PETRONAS Dagangan Berhad and was transferred to PETRONAS in 2010 and remained employed there until July 2016 with her last position being Head of Portfolio Management for PETRONAS group. During her 13 years of tenure in PETRONAS group, she also held other senior positions including Senior Manager of Group Planning & Performance and Senior Manager of Executive Vice President & Group CFO Office where she assisted in the initial public offering of KLCC stapled REIT in 2013 and PETRONAS' corporate bond issuance of Sukuk and Global Medium Term Note program in 2015. Her experience in PETRONAS also includes tax, budgeting, financial modelling, financial accounting as well as financial reporting and management.

In September 2016, she joined her family business, Zain Azahari Holdings Sdn Bhd and has since assumed the role of Finance Director. Zain Azahari Holdings Sdn Bhd is an investment holding company principally involved in holding public equity, bonds and investment properties as well as operating a private art gallery in Malaysia. As a Finance Director, she is primarily responsible for strategising and implementing investment decisions with minimal involvement in day-to-day operations of this company.

In November 2018, she was appointed as an Independent Non-Executive Director of Privasia Technology Berhad, a company listed on the ACE Market of Bursa Securities, a position she presently holds. She is also a member of both the Audit and Risk Management Committee and Investment Committee. She was redesignated as the Chairman of the Investment Committee in March 2020.

Save as disclosed in **Section 7.4**, she does not have any involvement in other businesses or corporations outside our Group.

### 7.2.3 Directors' remuneration, fees and material benefits-in-kind

Save as disclosed below, there are no other amount or benefits paid or intended to be paid or given to our Directors within the 2 years preceding the date of this Information Memorandum.

The aggregate remuneration, fees and material benefits-in-kind (including contingent or deferred compensation accrued for the year) paid and proposed to be paid to our Directors for their services rendered in all capacities to our Group for the FYE 31 December 2020 and the financial year ending 31 December 2021 are set out below:-

| Remuneration band | FYE 31 December 2020 No. of Directors | Proposed for FYE 31 December 2021 No. of Directors |
|---|---|---|
| **Executive Director** | | |
| Less than RM100,000 | 3 | 2 |
| RM100,001 to RM350,000 | 1 | 2 |
| **Non-Executive Director** | | |
| Less than RM100,000 | - | 1 |

The remuneration of our Directors which includes salaries, bonuses, fees and allowances as well as other benefits, must be approved by our shareholders at a general meeting. Any change in Directors' fees as set out in our Constitution must be approved by shareholders of our Company pursuant to an ordinary resolution passed at a general meeting and where appropriate, notice of any proposed increase should be given.

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## 7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

### 7.3 Key management

#### 7.3.1 Shareholdings

The direct and indirect shareholdings of our key management in our Company before and after the Proposed Listing are set out below:-

| | | | Before the Proposed Listing | | | | After the Proposed Listing | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | <---------Direct---------> | | <--------Indirect--------> | | <---------Direct---------> | | <--------Indirect--------> | |
| Name | Designation | Nationality | No. of Shares | %[*1] | No. of Shares | %[*1] | No. of Shares | %[*2] | No. of Shares | %[*2] |
| Dato' Sharman | Executive Director and Chief Executive Officer | Malaysian | 70,559,980 | 49.0 | - | - | 70,559,980 | 44.1 | - | - |
| Salimi Bin Khairuddin | Executive Director and Chief Operating Officer (Onshore) | Malaysian | - | - | 73,440,020[*3] | 51.0 | - | - | 73,440,020[*3] | 45.9 |
| Khairul Nazri Bin Kamarudin | Executive Director and Chief Operating Officer (Offshore) | Malaysian | - | - | 73,440,020[*3] | 51.0 | - | - | 73,440,020[*3] | 45.9 |
| Datin Annie A/P V Sinniah | Executive Director and Human Resource and Administration Director | Malaysian | - | - | 70,559,980[*4] | 49.0 | - | - | 70,559,980[*4] | 44.1 |
| Lee Swee Ann | Chief Financial Officer | Malaysian | - | - | - | - | - | - | - | - |

**Notes:-**

[*1] Based on our existing issued share capital of 144,000,000 Shares before the Proposed Listing.

[*2] Based on our enlarged issued share capital of 160,000,000 Shares after the Proposed Listing.

[*3] Deemed interested by virtue of his direct shareholdings in Radiant Capital pursuant to Section 8 of the Act.

[*4] Deemed interested by virtue of her spouse, Dato' Sharman's shareholdings in our Company pursuant to Section 8 of the Act.

### 7.3.2 Key management profiles

The profiles of Dato' Sharman, Salimi Bin Khairuddin, Khairul Nazri Bin Kamarudin and Datin Annie A/P V Sinniah who are part of our key management are set out in **Section 7.1.2** of this Information Memorandum.

**Lee Swee Ann**
*Chief Financial Officer*

Lee Swee Ann, aged 55, is our Chief Financial Officer. He is responsible for overseeing the overall finance function of our Group including monitoring and forecasting our cashflow and cash position, overseeing our accounting, budgeting, taxation review and reporting as well as managing the preparation of quarterly management reports and monthly and annual financial reports. He has approximately 33 years of experience in finance related functions, involving financial and tax planning, corporate exercise managements, cash flow and fund management.

He is a Chartered Accountant and a member of the Malaysian Institute of Accountants since 2001 and an ASEAN Chartered Professional Accountant since 2019.

In January 1988, he joined Ong Boon Bah & Co as an Audit Assistant and was involved in audit assignments. He left Ong Boon Bah & Co in February 1993. In March 1993, he joined DK Leather Seats Sdn Bhd as an Accountant where he was responsible for reviewing and preparing monthly financial reports as well as management reports and accounts. He left DK Leather Seats Sdn Bhd in March 1998.

In March 1998, he joined Aluminium Alloy Casting Sdn Bhd as a Finance Manager where he was responsible for the overall direction and control of all company financial matters including monthly corporate reporting, budgeting, accounting, taxation and credit control. He left Aluminium Alloy Casting Sdn Bhd in March 2003 and in the same month, he joined Yokohama Industries Berhad as the Financial Controller where he was responsible for the financial management, financial accounting and reporting as well as financial operations of the group. He left Yokohama Industries Berhad in March 2009.

In April 2009, he joined Handal Resources Berhad as the Senior Manager Finance and Administration and was re-designated to the position of Chief Financial Officer in June 2014. He left Handal Resources Berhad in January 2019. During his tenure with Handal Resources Berhad, he was primarily responsible for overseeing the overall finance function and was involved in financial and tax reporting and planning, corporate finance, establishing banking relationships, fund management, and financial governance, amongst others.

After a 4 months career break, he joined Genopharma Sdn Bhd as the Chief Financial Officer from June 2019 to January 2021 where he was mainly responsible for a corporate proposal involving the company.

In February 2021, he joined our Group as the Chief Financial Officer, a position which he presently holds.

## 7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

### 7.4 Involvement of our Promoters, substantial shareholders, Directors and key management in businesses/ corporations outside our Group

Save as disclosed below, none of our Promoters, substantial shareholders, Directors or key management is involved in other businesses or corporations outside our Group for the past 3 years up to the LPD:-

**(i) Dato' Sharman**

| Company | Position held | Date appointed as Director | Date resigned as Director | Equity Interest (%) | | Principal Activities |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| SKM Capital Sdn Bhd (in members' voluntary winding up pursuant to Section 433 of the Act) | Director | 24 May 2019 | Dato' Sharman ceased to be the Director on 31 March 2021 pursuant to the commencement of members' voluntary winding up | 100.00 | - | Dormant[*1] |
| SS Innovations Sdn Bhd | Director | 20 July 2004 | - | 50.00 | 50.00[*2] | Dormant[*3] |

**(ii) Salimi Bin Khairuddin**

| Company | Position held | Date appointed as Director | Date resigned as Director | Equity Interest (%) | | Principal Activities |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| Radiant Capital[*4] | Director | 9 April 2021 | - | 61.00 | - | Investment holding in shares |

**(iii) Khairul Nazri Bin Kamarudin**

| Company | Position held | Date appointed as Director | Date resigned as Director | Equity Interest (%) | | Principal Activities |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| Radiant Capital[*4] | Director | 9 April 2021 | - | 39.00 | - | Investment holding in shares |

## 7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

### (iv) Datin Annie A/P V Sinniah

| Company | Position held | Date appointed as Director | Date resigned as Director | Equity Interest (%) Direct | Equity Interest (%) Indirect | Principal Activities |
|---|---|---|---|---|---|---|
| SKM Capital Sdn Bhd (in members' voluntary winding up pursuant to Section 433 of the Act) | - | - | - | - | 100.00[*2] | Dormant[*1] |
| SS Innovations Sdn Bhd | Director | 24 January 2007 | - | 50.00 | 50.00[*2] | Dormant[*3] |

### (v) Haslinda Binti Hussein

| Company | Position held | Date appointed as Director | Date resigned as Director | Equity Interest (%) Direct | Equity Interest (%) Indirect | Principal Activities |
|---|---|---|---|---|---|---|
| Strategos Energy Sdn Bhd | Director | 15 February 2021 | - | - | - | Business management consultancy services, financial consultancy services and other service activities |
| Privasia Technology Berhad[*5] | Director | 12 November 2018 | - | - | - | Investment holding company |

**Notes:-**

[*1] SKM Capital Sdn Bhd was previously engaged in the provision of engineering consultancy services for oil and gas pipeline cleaning and maintenance using pig trap system.

[*2] Deemed interested by virtue of his/ her spouse's shareholdings in the company pursuant to Section 8 of the Act.

[*3] SS Innovations Sdn Bhd was previously engaged in the trading of automated packaging machinery and supply of 2 types of oilfield equipment (i.e. helicopter refueling system and carbon dioxide fire suppression systems). It is currently a dormant company with no intended business activity and plan at this juncture.

[*4] Radiant Capital is the Promoter and substantial shareholder of our Company. Please refer to **Section 7.1.2** of this Information Memorandum for further details on Radiant Capital.

[*5] Privasia Technology Berhad is an investment holding company listed on the ACE Market of Bursa Securities and through its subsidiaries is mainly involved in outsourcing, consultation, e-procurement, provision of total wireless and communication solutions, and provision of high speed internet broadband access (satellite services).

## 7.5 Declaration by our Directors

As at the LPD, none of our Directors:-

(i) are an undischarged bankrupt nor presently subject to any proceeding under bankruptcy laws;

(ii) have ever been charged with, convicted for or compounded for any offence under securities laws, corporations laws or any other laws involving fraud or dishonesty in a court of law;

(iii) have ever had any action taken against him/ her for any breach of the Listing Requirements or rules issued by Bursa Securities for the past 5 years; and

(iv) have been subjected to any inquiry or investigation by any government or regulatory authority or body for the past 5 years.

## 7.6 Employees

As at the LPD, our Group has a total workforce of 100 employees, of which 53 are permanent employees and 47 are contractual employees. Our employees are all Malaysians.

The breakdown of our employees by categories as at 31 December 2020 and as at the LPD is set out below:-

| | No. of employees | |
|---|---|---|
| **Department** | **As at 31 December 2020** | **As at the LPD** |
| Management | 3 | 3 |
| Technical | 71 | 85 |
| Procurement | 3 | 3 |
| Human Resources | 4 | 4 |
| Administration | 2 | 4 |
| Others | 1 | 1 |
| **Total workforce** | **84** | **100** |

None of our employees, whether permanent or contractual, belong to any trade unions or have any labour relationship with any union.

## 7.7 Family relationships and associations

Save as disclosed below, there is no other family relationship and/ or association between our Promoters, substantial shareholders, Directors and key management as at the LPD:-

| Name | Position/ Capacity | Relationship |
|---|---|---|
| Dato' Sharman | Promoter, substantial shareholder and Executive Director/ Chief Executive Officer | • Husband to Datin Annie A/P V Sinniah |
| Datin Annie A/P V Sinniah | Promoter, substantial shareholder and Executive Director/ Human Resource and Administration Director | • Wife to Dato' Sharman |

# 8. FINANCIAL INFORMATION

## 8.1 Historical financial information

**Historical combined and consolidated statements of profit or loss and other comprehensive income**

The following table sets out a summary of our historical audited combined statements of profit or loss and other comprehensive income for the past 2 financial years up to the FYE 31 December 2020, our unaudited consolidated statements of profit or loss and other comprehensive income for the 6-month FPE 30 June 2021 and our unaudited combined statements of profit or loss and other comprehensive income for the 6-month FPE 30 June 2020, which have been extracted from our audited and unaudited financial statements as set out in Appendices I and II of this Information Memorandum, respectively, and should be read in conjunction with the Management Discussion and Analysis set out in **Section 8.2** of this Information Memorandum.

| | <-----------Audited------------> FYE 31 December | | <---------Unaudited--------> 6-month FPE 30 June | |
|---|---|---|---|---|
| | **2019** | **2020** | **2020** | **2021** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Revenue | 20,451 | 19,865 | 11,023 | 9,893 |
| Cost of sales | (13,941) | (9,793) | (6,410) | (5,613) |
| **GP** | **6,510** | **10,072** | **4,613** | **4,280** |
| Other income | - | 280 | 162 | 38 |
| Administrative expenses | (5,312) | (6,075) | (2,766) | (3,357) |
| **Results from operating activities** | **1,198** | **4,277** | **2,009** | **961** |
| Finance income | 41 | 93 | 73 | 8 |
| Finance costs | (486) | (354) | (169) | (140) |
| **PBT** | **753** | **4,016** | **1,913** | **829** |
| Tax expense | (296) | (1,067) | (530) | (305) |
| **PAT** | **457** | **2,949** | **1,383** | **524** |
| EBITDA[*1] | 1,884 | 4,996 | 2,387 | 1,311 |
| GP margin (%)[*2] | 31.83 | 50.70 | 41.85 | 43.26 |
| PBT margin (%)[*3] | 3.68 | 20.22 | 17.35 | 8.38 |
| PAT margin (%)[*4] | 2.23 | 14.85 | 12.55 | 5.30 |
| EPS (sen) | 30.47[*5] | 196.60[*5] | 92.20[*5] | 0.36[*6] |

**Notes:-**

*1 EBITDA is computed as follows:-

| | <--------------Audited--------------> FYE 31 December | | <------------Unaudited---------> 6-month FPE 30 June | |
|---|---|---|---|---|
| | **2019** | **2020** | **2020** | **2021** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **PAT** | **457** | **2,949** | **1,383** | **524** |
| Adjusted for:- | | | | |
| Finance costs | 486 | 354 | 169 | 140 |
| Finance income | (41) | (93) | (73) | (8) |
| Tax expense | 296 | 1,067 | 530 | 305 |
| Depreciation | 686 | 719 | 378 | 350 |
| **EBITDA** | **1,884** | **4,996** | **2,387** | **1,311** |

*2 Computed based on the GP over total revenue.

*3 Computed based on the PBT over total revenue.

*4 Computed based on the PAT over total revenue.

*5 Computed based on the PAT divided by 1,500,000 Shares in issue.

*6 Computed based on the PAT divided by 144,000,000 Shares in issue (i.e. pursuant to the completion of the Acquisition of Steel Hawk Engineering on 9 June 2021).

## 8. FINANCIAL INFORMATION (CONT'D)

**Historical combined and consolidated statements of financial position**

The following table sets out a summary of our historical audited combined statements of financial position for the past 2 financial years up to the FYE 31 December 2020 as well as our unaudited consolidated statements of financial position for the 6-month FPE 30 June 2021, which have been extracted from our audited and unaudited financial statements as set out in Appendices I and II of this Information Memorandum, respectively, and should be read in conjunction with the Management Discussion and Analysis set out in **Section 8.2** of this Information Memorandum.

| | <------------------Audited------------------> | | <--Unaudited--> |
|---|---|---|---|
| | **As at 31 December** | | **As at 30 June** |
| | **2019** | **2020** | **2021** |
| | **RM'000** | **RM'000** | **RM'000** |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Plant and equipment | 2,295 | 1,818 | 1,734 |
| Right-of-use assets | 403 | 197 | 325 |
| | **2,698** | **2,015** | **2,059** |
| **Current assets** | | | |
| Inventories | 1,169 | 338 | 431 |
| Contract assets | 944 | 1,186 | 4,891 |
| Trade and other receivables[*1] | 1,691 | 1,581 | 2,846 |
| Cash and cash equivalents | 3,905 | 5,013 | 1,931 |
| | **7,709** | **8,118** | **10,099** |
| **Total assets** | **10,407** | **10,133** | **12,158** |
| **EQUITY** | | | |
| Share capital | - | -[*5] | 4,608 |
| Invested equity | 1,500 | 1,500 | - |
| Reserves | 1,885 | 2,976 | 419 |
| Other reserve | - | - | (27) |
| **Total equity/ net assets** | **3,385** | **4,476** | **5,000** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Loans and borrowings | 955 | 1,604 | 1,373 |
| Lease liabilities | 203 | 60 | 135 |
| Deferred tax liabilities | 165 | 205 | 192 |
| | **1,323** | **1,869** | **1,700** |
| **Current liabilities** | | | |
| Loans and borrowings | 3,262 | 1,485 | 1,039 |
| Lease liabilities | 210 | 148 | 199 |
| Trade and other payables | 2,122 | 1,325 | 3,240 |
| Current tax liabilities | 105 | 830 | 980 |
| | **5,699** | **3,788** | **5,458** |
| **Total liabilities** | **7,022** | **5,657** | **7,158** |
| **Total equity and liabilities** | **10,407** | **10,133** | **12,158** |
| Net assets per Share (RM) | 2.26[*2] | 2.98[*2] | 0.03[*3] |
| Current ratio (times)[*4] | 1.35 | 2.14 | 1.85 |

**Notes:-**

[*1] Other receivables for the financial years/ periods presented above comprises, amongst others, amounts due from a Director (i.e. Dato' Sharman) and a company in which a Director has financial interest (i.e. SS Innovations Sdn Bhd) which have been fully repaid as at 31 December 2020 as set out in **Section 9.2** of this Information Memorandum, the deposit paid for the acquisition of our PJ Office as set out in **Section 9.1** of this Information Memorandum, staff loans and advances as well as supplier advances.

*2 Computed based on the net assets divided by 1,500,000 Shares in issue.

*3 Computed based on the net assets divided by 144,000,000 Shares in issue (i.e. pursuant to the completion of the Acquisition of Steel Hawk Engineering on 9 June 2021).

*4 Computed based on the total current assets divided by the total current liabilities.

*5 Denotes RM2.

**Historical combined and consolidated statements of cash flow**

The following table sets out a summary of our historical audited combined statements of cash flow for the past 2 financial years up to the FYE 31 December 2020, our unaudited consolidated statements of cash flow for the 6-month FPE 30 June 2021 and our unaudited combined statements of cash flow for the 6-month FPE 30 June 2020, which have been extracted from our audited and unaudited financial statements as set out in Appendices I and II of this Information Memorandum, respectively, and should be read in conjunction with the Management Discussion and Analysis set out in **Section 8.2** of this Information Memorandum.

| | <---------Audited--------> FYE 31 December | | <---------Unaudited--------> 6-month FPE 30 June | |
|---|---|---|---|---|
| | **2019** | **2020** | **2020** | **2021** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Cash flows from operating activities** | | | | |
| PBT | 753 | 4,016 | 1,913 | 829 |
| Adjustments for: | | | | |
| Depreciation of plant and equipment | 535 | 518 | 277 | 261 |
| Depreciation of right-of-use assets | 151 | 201 | 101 | 89 |
| Gain on disposal of plant and equipment | - | (4) | - | (10) |
| Gain on derecognition of right-of-use assets | - | (1) | (1) | (3) |
| Plant and equipment written off | - | - | - | 3 |
| Interest expenses | 486 | 354 | 169 | 140 |
| Interest income | (41) | (93) | (73) | (8) |
| **Operating profit before changes in working capital** | **1,884** | **4,991** | **2,386** | **1,301** |
| Changes in working capital: | | | | |
| Inventories | 529 | 831 | 779 | (93) |
| Trade and other receivables | 2,420 | 110 | (771) | (1,265) |
| Trade and other payables | (575) | (797) | (195) | 1,915 |
| Contract assets | (757) | (242) | (486) | (3,705) |
| **Cash generated (used in)/ from operations** | **3,501** | **4,893** | **1,713** | **(1,847)** |
| Tax paid | (336) | (302) | (90) | (168) |
| **Net cash (used in)/ from operating activities** | **3,165** | **4,591** | **1,623** | **(2,015)** |
| | | | | |
| **Cash flows from investing activities** | | | | |
| Acquisition of plant and equipment | (944) | (346) | (153) | (182) |
| Proceeds from disposal of plant and equipment | - | 309 | - | 12 |
| Interest income | 41 | 93 | 73 | 8 |
| Changes in pledged deposits | 304 | (217) | - | 319 |
| **Net cash (used in)/ from investing activities** | **(599)** | **(161)** | **(80)** | **157** |
| | | | | |
| **Cash flows from financing activities** | | | | |
| Interest expenses | (486) | (354) | (169) | (140) |
| Net (repayment)/ drawdown of term loan | (373) | 587 | (201) | (171) |
| Net repayment of trade financings | (113) | (1,474) | (250) | (5) |
| Net repayment of hire purchase | (120) | (224) | (98) | (46) |
| Repayment of lease liabilities | (144) | (199) | (98) | (88) |
| Dividend paid | - | (1,858) | (1,200) | - |
| **Net cash used in financing activities** | **(1,236)** | **(3,522)** | **(2,016)** | **(450)** |

| | <---------Audited--------> FYE 31 December | | <---------Unaudited--------> 6-month FPE 30 June | |
|---|---|---|---|---|
| | 2019 | 2020 | 2020 | 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Net increase/ (decrease) in cash and cash equivalents** | **1,330** | **908** | **(473)** | **(2,308)** |
| Cash and cash equivalents as at 29 December 2020 (the date of incorporation) | - | -[*1] | - | - |
| Cash and cash equivalents at the beginning of the year | 1,027 | 2,357 | 2,357 | 3,265 |
| **Cash and cash equivalents at the end of the year** | **2,357** | **3,265** | **1,884** | **957** |

**Note:-**

[*1] Denotes RM2.

## 8.2 Management's discussion and analysis of financial condition and results of operations

The following management's discussion and analysis of financial condition and results of operation for the past 2 audited financial years up to the FYE 31 December 2020 as well as the unaudited 6-month FPE 30 June 2021 should be read in conjunction with our audited and unaudited financial statements as set out in Appendices I and II of this Information Memorandum, respectively.

This discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below or elsewhere in this Information Memorandum, particularly in **Section 6** of this Information Memorandum entitled "Risk Factors".

### 8.2.1 Overview of our operations

We are principally involved in the provision of onshore and offshore support services for the O&G industry, where our main business activities comprise:-

(i) EPCC services and facilities improvement/ maintenance – the provision of EPCC services for chemical injection skids and improvement/ maintenance of topside O&G facilities (i.e. onshore O&G terminal and/or offshore production platform);

(ii) Installation and maintenance of oilfield equipment – the installation, repair, refurbishment and replacement of oilfield equipment (e.g. pig trap system, fire rated doors or oil spill recovery equipment) in topside O&G facilities (i.e. onshore O&G terminals and/or offshore production platform); and/ or

(iii) Supply of oilfield equipment – the supply of oilfield equipment (e.g. pig trap system, fire rated doors or oil spill recovery equipment), as well as their parts and components, undertaken through purchase orders on an ad-hoc basis (involves the standalone supply of oilfield equipment to our customers without any installation or maintenance provided).

Please refer to **Section 4** of this Information Memorandum for further details on our Group's business overview and main business activities. Our revenue is derived entirely from our only wholly-owned subsidiary, namely Steel Hawk Engineering.

### 8.2.2 Revenue

A breakdown of our revenue by our main business activities for the past 2 financial years up to the FYE 31 December 2020 as well as for the unaudited 6-month FPE 30 June 2020 and 2021 is set out below:-

| | <-----------------Audited---------------- | | ----------------> | | <-----------------Unaudited---------------- | | ----------------> | |
|---|---|---|---|---|---|---|---|---|
| | FYE 31 December | | | | 6-month FPE 30 June | | | |
| | 2019 | | 2020 | | 2020 | | 2021 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| EPCC services and facilities improvement/ maintenance | 12,131 | 59.32 | 11,947 | 60.14 | 7,229 | 65.58 | 6,640 | 67.12 |
| Installation and maintenance of oilfield equipment | 5,468 | 26.74 | 5,638 | 28.38 | 2,179 | 19.77 | 2,477 | 25.04 |
| Supply of oilfield equipment | 2,852 | 13.95 | 2,280 | 11.48 | 1,615 | 14.65 | 776 | 7.84 |
| **Total** | **20,451** | **100.00** | **19,865** | **100.00** | **11,023** | **100.00** | **9,893** | **100.00** |

**FYE 31 December 2020 compared to FYE 31 December 2019**

For the FYE 31 December 2020, we recorded revenue of RM19.87 million which represents a decrease of RM0.58 million or 2.84% as compared to RM20.45 million for the FYE 31 December 2019.

The decrease in revenue was due to the following:-

(i) Decrease in revenue contribution from supply of oilfield equipment of RM0.57 million or 20.06% from RM2.85 million to RM2.28 million mainly due to the decrease in revenue from the supply of parts and components for fire rated door accessories (e.g. panic bar, hinges and locksets) to our major customer of RM0.48 million or 65.75% from RM0.73 million to RM0.25 million.

The demand for parts and components of oilfield equipment (which includes fire rated doors) by our major customer had decreased as a result of the COVID-19 pandemic since March 2020, which had led to social distancing requirements and reduced workforce at its onshore O&G facilities. The reduction in workforce at our major customer's O&G facilities led to the deferment of its less urgent maintenance activities and subsequently, the deferment of its less urgent purchases of new/ replacement parts and components of oilfield equipment.

(ii) Decrease in revenue contribution from EPCC services and facilities improvement/ maintenance of RM0.18 million or 1.52% from RM12.13 million to RM11.95 million mainly due to the absence of revenue contribution from the provision of EPCC services for chemical injection skids during the FYE 31 December 2020. Our Group's only contract involving the provision of EPCC services for chemical injection skids was completed in the FYE 31 December 2019 (pursuant to the execution of contract closure certificate in May 2019) and had contributed revenue of RM2.49 million during the FYE 31 December 2019.

The decrease in revenue was partially off-set by the following:-

(i) Increase in revenue from onshore facilities maintenance, construction and modification services of RM2.31 million or 23.96% from RM9.64 million to RM11.95 million which partially offset the decrease in revenue from EPCC services and facilities improvement/ maintenance. Our call out contract with our major customer involving onshore facilities maintenance, construction and modification services commenced in December 2018. However, we only began to receive work orders under this contract from February 2019 onwards. As such, the revenue contribution from the said contract was only for a period of 10 months in the FYE 31 December 2019 as compared to 12 months in the FYE 31 December 2020.

(ii) Increase in revenue contribution from installation and maintenance of oilfield equipment of RM0.17 million or 3.11% from RM5.47 million to RM5.64 million mainly due to higher revenue contribution from the ad-hoc installation and maintenance of complete assembled fire rated doors. Demand for installation and maintenance of complete assembled fire rated doors had increased (as opposed to supply of parts and components for fire rated door accessories highlighted above) as a result of increased work orders from our major customer to install/ maintain certain existing fire rated doors with new complete assembled fire rated doors at the offshore production facilities of our major customer in Terengganu on an urgent basis pursuant to site surveys where we identified damaged fire rated doors.

**6-month FPE 30 June 2021 compared to 6-month FPE 30 June 2020**

For the 6-month FPE 30 June 2021, we recorded revenue of RM9.89 million which represents a decrease of RM1.13 million or 10.25% as compared to RM11.02 million for the 6-month FPE 30 June 2020.

The decrease in revenue was mainly due to the following:-

(i) Decrease in revenue contribution from EPCC services and facilities improvement/ maintenance of RM0.59 million or 8.16% from RM7.23 million to RM6.64 million as a result of decrease in revenue contribution from our onshore facilities maintenance, construction and modification services of RM0.59 million.

During the preceding 6-month FPE 30 June 2020, our major customer provided one-off work orders for replacement of corroded/ damaged structural members as well as blasting and painting of structures at its onshore facilities at Kerteh, Terengganu (i.e. onshore gas terminal and onshore slug catcher). The one-off work orders were given to expedite the completion of the aforesaid services in the first half of 2020 in view of the initial uncertainty arising from the COVID-19 pandemic (i.e. whether the Government would impose temporary suspension on onshore facilities maintenance and modification services). As we did not receive such one-off work orders from our major customer in the 6-month FPE 30 June 2021, we recognised lower revenue in the said financial period.

(ii) Decrease in revenue contribution from supply of oilfield equipment of RM0.84 million or 51.85% from RM1.62 million to RM0.78 million. This was mainly due to decreased revenue contribution from supply of parts and components for pig trap system to our major customer of RM0.84 million.

Under our ongoing call out contract with our major customer involving services for pig trap system, we generally receive purchase orders for the supply of certain parts and components of pig trap system (i.e. QOCs) which are the high value item within the pig trap system) on a bi-annual basis due to wear and tear. During the preceding 6-month FPE 30 June 2020, we had received orders from our major customer for the supply of 30 units of QOCs whilst the next batch of such orders is expected to be issued in year 2022. As we did not receive any purchase orders for QOCs from our major customer in the 6-month FPE 30 June 2021, we recognised lower revenue in the said financial period.

The decrease in revenue was partially off-set by the following:-

(i) Increase in revenue contribution from installation and maintenance of oilfield equipment of RM0.30 million or 13.76% from RM2.18 million to RM2.48 million mainly due to higher revenue contribution from installation and maintenance of pig trap system. As mentioned above, the COVID-19 pandemic since March 2020 had led to the deferment of less urgent maintenance activities, such as installation and maintenance of pig trap system, at our major customer's offshore production facilities. With the easing of government lockdowns in the fourth quarter of 2020, our major customer issued more work orders to carry out the deferred installation and maintenance of pig trap system in the 6-month FPE 30 June 2021.

### 8.2.3 Cost of sales

A breakdown of our cost of sales for the past 2 financial years up to the FYE 31 December 2020 as well as for the unaudited 6-month FPE 30 June 2020 and 2021 is set out below:-

**Cost of sales by business activities**

| | <----Audited---- | | ----> | | <----Unaudited---- | | ----> | |
|---|---|---|---|---|---|---|---|---|
| | FYE 31 December | | | | 6-month FPE 30 June | | | |
| | 2019 | | 2020 | | 2020 | | 2021 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| EPCC services and facilities improvement/ maintenance | 6,956 | 49.90 | 4,267 | 43.57 | 3,773 | 58.86 | 4,486 | 79.92 |
| Installation and maintenance of oilfield equipment | 4,584 | 32.88 | 3,506 | 35.80 | 1,308 | 20.41 | 746 | 13.29 |
| Supply of oilfield equipment | 2,401 | 17.22 | 2,020 | 20.63 | 1,329 | 20.73 | 381 | 6.79 |
| **Total** | **13,941** | **100.00** | **9,793** | **100.00** | **6,410** | **100.00** | **5,613** | **100.00** |

**Cost of sales by cost component**

| | <----Audited---- | | ----> | | <----Unaudited---- | | ----> | |
|---|---|---|---|---|---|---|---|---|
| | FYE 31 December | | | | 6-month FPE 30 June | | | |
| | 2019 | | 2020 | | 2020 | | 2021 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Raw materials costs | 8,898 | 63.83 | 5,659 | 57.79 | 4,178 | 65.18 | 2,158 | 38.45 |
| Staff costs | 2,899 | 20.79 | 2,983 | 30.46 | 1,569 | 24.48 | 863 | 15.37 |
| Subcontractor costs | 927 | 6.65 | 479 | 4.89 | 320 | 4.99 | 1,009 | 17.98 |
| Rental of equipment | 727 | 5.21 | 367 | 3.75 | 192 | 2.99 | 1,519 | 27.06 |
| Transportation costs | 490 | 3.52 | 305 | 3.11 | 151 | 2.36 | 64 | 1.14 |
| **Total** | **13,941** | **100.00** | **9,793** | **100.00** | **6,410** | **100.00** | **5,613** | **100.00** |

Our cost of sales consists of 5 major components, namely raw materials costs, staff costs, subcontractor costs, rental of equipment and transportation costs, which comprise the following:-

(i) Raw material costs include the purchase costs of raw materials (e.g. metal structures, steel plates, steel pipes, metal flanges, non-metal piping and structures, high pressure tubing and high pressure metal fittings etc.), complete assembled oilfield equipment such as fire-rated doors and oil spill recovery equipment as well as the parts, components and accessories of oilfield equipment (e.g. chemical injection skids, pig trap system, fire rated doors and oil spill recovery equipment, etc.);

(ii) Staff costs involve the salaries and wages of our technical staff who are directly involved in the provision of EPCC services and facilities improvement/ maintenance and installation and maintenance of oilfield equipment as well as, amongst others, their living expenses, mobilization and demobilization costs, overtime, travelling and other allowances, medical insurance and competency training costs in compliance with PETRONAS requirements;

(iii) Subcontractor costs include amounts paid to third-party subcontractors for the provision of specialised services including fabrication services as well as crane lifting services for heavy machinery and equipment;

(iv) Rental of equipment comprise our rental of O&G-related equipment, such as offshore containers (which are similar to shipping containers in appearance but typically differ in being designed for harsher weather conditions and non-standard dimensions), lifting equipment, safety monitoring devices and personal protective detectors (which detect the presence of gases, chemicals and/ or particles) as well as short-term rental of general equipment (i.e. for rental period of less than 12 months) such as forklifts, generator sets and welding sets on an ad hoc basis based on the prevailing rate at that particular point in time; and

(v) Transportation costs include sea freight, air freight and other transportation costs for delivering complete assembled oilfield equipment as well as the parts, components and accessories of oilfield equipment to our customers' designated embarkation points (e.g. Kemaman Supply Base, Miri Port, Bintulu Port and Labuan Port, etc.). Transportation costs also involve other importation costs of equipment from overseas, particularly the United States of America, India, Europe and China.

**FYE 31 December 2020 compared to FYE 31 December 2019**

For the FYE 31 December 2020, we recorded cost of sales of RM9.79 million which represents a decrease of RM4.15 million or 29.77% as compared to RM13.94 million for the FYE 31 December 2019.

The decrease in cost of sales was mainly attributable to the decrease in raw material costs of RM3.24 million or 36.40% from RM8.90 million to RM5.66 million. Our raw material costs decreased mainly due to the following:-

(i) Decrease in raw material costs from our EPCC services and facilities improvement/ maintenance of RM2.16 million or 49.20% from RM4.39 million to RM2.23 million as our Group stopped acquiring raw material for chemical injection skids during the FYE 31 December 2020 pursuant to the completion of our Group's only contract involving the provision of EPCC services for chemical injection skids in the FYE 31 December 2019. For information purposes, the raw material costs for chemical injection skids in the FYE 31 December 2019 was RM2.06 million (FYE 31 December 2020: nil).

In addition, our Group was able to procure the raw material for our onshore facilities maintenance, construction and modification services (e.g. metal structures, steel plates, steel pipes, metal flanges, non-metal piping and structures, high pressure tubing and high pressure metal fittings etc.) at a lower price through bulk purchase from our suppliers;

(ii) Decrease in raw material costs from our installation and maintenance of oilfield equipment of RM0.79 million or 34.50% from RM2.29 million to RM1.50 million mainly due to lesser volume of raw materials required for our installation and maintenance of pig trap system, which is in line with the decrease in revenue from our installation and maintenance of pig trap system; and

(iii) Decrease in raw material costs from our supply of oilfield equipment of RM0.29 million or 13.06% from RM2.22 million to RM1.93 million, mainly due to lesser volume of raw materials required for our supply of parts and components for fire rated door accessories (e.g. panic bar, hinges and locksets) which was in line with the decrease in revenue from the supply of parts and components for fire rated door accessories during the FYE 31 December 2020.

The decrease in cost of sales was also attributable to the decrease in subcontractor costs of RM0.45 million or 48.39% from RM0.93 million to RM0.48 million. Our subcontractor costs decreased mainly due to the following:-

(i) Decrease in subcontractor costs from our installation and maintenance of oilfield equipment of RM0.23 million or 76.67% from RM0.30 million to RM0.07 million as a result of our Group carrying out more installation and maintenance of oilfield equipment related activities in-house without relying on subcontractors for, amongst others, manpower supply and fabrication services; and

(ii) Decrease in subcontractor costs from our EPCC services and facilities improvement/ maintenance of RM0.22 million or 34.92% from RM0.63 million to RM0.41 million as our Group did not engage any subcontractors for the provision of EPCC services for chemical injection skids during the FYE 31 December 2020 pursuant to the completion of the said contract in the FYE 31 December 2019.

**6-month FPE 30 June 2021 compared to 6-month FPE 30 June 2020**

For the 6-month FPE 30 June 2021, we recorded cost of sales of RM5.61 million which represents a decrease of RM0.80 million or 12.48% as compared to RM6.41 million for the 6-month FPE 30 June 2020.

The decrease in cost of sales was mainly attributable to the decrease in raw material costs of RM2.02 million or 48.33% from RM4.18 million to RM2.16 million. Our raw material costs decreased mainly due to the following:-

(i) Decrease in raw material costs from our EPCC services and facilities improvement/ maintenance of RM0.45 million or 24.86% from RM1.81 million to RM1.36 million mainly due to lesser volume of raw materials required for our onshore facilities maintenance, construction and modification services, which is in line with the decrease in revenue from our onshore facilities maintenance, construction and modification services;

(ii) Decrease in raw material costs from our installation and maintenance of oilfield equipment of RM0.67 million or 61.47% from RM1.09 million to RM0.42 million mainly due to lower raw material prices for the installation and maintenance of pig trap system secured by our Group via bulk purchase from our suppliers; and

(iii) Decrease in raw material costs from our supply of oilfield equipment, specifically parts and components of pig trap system, of RM0.90 million or 70.87% from RM1.27 million to RM0.37 million mainly due to the absence of purchase of QOCs, which are the high value item within the pig trap system. As mentioned above, under our ongoing call out contract with our major customer involving services for pig trap system, we typically receive orders for the supply of QOCs on a bi-annual basis. Accordingly, we had received orders for the supply of 30 units of QOCs in the 6-month FPE 30 June 2020 whilst we did not receive any purchase orders for these raw materials from our major customer in the 6-month FPE 30 June 2021.

### 8.2.4 GP and GP margin

A breakdown of our GP and GP margin by our main business activities for the past 2 financial years up to the FYE 31 December 2020 as well as for the unaudited 6-month FPE 30 June 2020 and 2021 is set out below:-

**GP**

| | <-----Audited-----> FYE 31 December | | | | <-----Unaudited-----> 6-month FPE 30 June | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2020 | | 2021 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| EPCC services and facilities improvement/ maintenance | 5,175 | 79.49 | 7,680 | 76.25 | 3,456 | 74.92 | 2,154 | 50.33 |
| Installation and maintenance services of oilfield equipment | 884 | 13.58 | 2,132 | 21.17 | 871 | 18.88 | 1,731 | 40.44 |
| Supply of oilfield equipment | 451 | 6.93 | 260 | 2.58 | 286 | 6.20 | 395 | 9.23 |
| **Total** | **6,510** | **100.00** | **10,072** | **100.00** | **4,613** | **100,00** | **4,280** | **100.00** |

**GP Margin**

| | <-----Audited-----> FYE 31 December | | <-----Unaudited-----> 6-month FPE 30 June | |
|---|---|---|---|---|
| | 2019 | 2020 | 2020 | 2021 |
| | % | % | % | % |
| EPCC services and facilities improvement/ maintenance | 42.66 | 64.28 | 47.81 | 32.44 |
| Installation and maintenance services of oilfield equipment | 16.17 | 37.81 | 39.97 | 69.88 |
| Supply of oilfield equipment | 15.81 | 11.40 | 17.71 | 50.90 |
| **Overall** | **31.83** | **50.70** | **41.85** | **43.26** |

**FYE 31 December 2020 compared to FYE 31 December 2019**

For the FYE 31 December 2020, we recorded GP of RM10.07 million which represents an increase of RM3.56 million or 54.69% as compared to RM6.51 million for the FYE 31 December 2019. Our overall GP margin also improved from 31.83% for the FYE 31 December 2019 to 50.70% for the FYE 31 December 2020 as the overall percentage decrease in revenue was lower than the percentage decrease in cost of sales.

The increase in GP and GP margin was mainly attributable to the following:-

(i) Increase in GP contribution from EPCC services and facilities improvement/ maintenance of RM2.50 million or 48.26% from RM5.18 million to RM7.68 million and improved GP margin recorded by EPCC services and facilities improvement/ maintenance from 42.66% to 64.28%, due to the following factors:-

(a) Higher revenue generated from our onshore facilities maintenance, construction and modification services, which increased by RM2.31 million or 23.96% from RM9.64 million to RM11.95 million. As highlighted in **Section 8.2.2** of this Information Memorandum, our call out contract with our major customer involving onshore facilities maintenance, construction and modification services commenced in December 2018. However, we only began to receive work orders under this contract from February 2019 onwards. As such, the revenue contribution from the said contract was only for a period of 10 months in the FYE 31 December 2019 as compared to 12 months in the FYE 31 December 2020; and

(b) Cost savings achieved from the bulk purchase of raw material for our onshore facilities maintenance, construction and modification services (e.g. metal structures, steel plates, steel pipes, metal flanges, non-metal piping and structures, high pressure tubing and high pressure metal fittings etc.) from our suppliers. Further, our EPCC services and facilities improvement/ maintenance incurred lower subcontractor costs during the FYE 31 December 2020 as a result of our Group carrying out more facilities improvement/ maintenance services in-house without relying on subcontractors for, amongst others, manpower supply and fabrication services.

(ii) Increase in GP contribution from installation and maintenance of oilfield equipment of RM1.25 million or 142.05% from RM0.88 million to RM2.13 million and improved GP margin recorded by installation and maintenance of oilfield equipment from 16.17% to 37.81%.

During the FYE 31 December 2020, GP contribution and GP margin from installation and maintenance of oilfield equipment increased as we recorded higher GP and GP margin from the installation and maintenance of complete assembled fire rated doors, as a result of increased work orders from our major customer to install/ maintain certain existing fire rated doors with new complete assembled fire rated doors at the offshore production facilities of our major customer in Terengganu on an urgent basis, whereby the new complete assembled fire rated doors generally yield higher margins as we have better control over the assembly costs as opposed to only replacing/ modifying accessories of the existing fire rated doors.

**6-month FPE 30 June 2021 compared to 6-month FPE 30 June 2020**

For the 6-month FPE 30 June 2021, we recorded GP of RM4.28 million which represents a decrease of RM0.33 million or 7.16% as compared to RM4.61 million for the 6-month FPE 30 June 2020. However, our overall GP margin improved from 41.85% for the 6-month FPE 30 June 2020 to 43.26% for the 6-month FPE 30 June 2021.

The fluctuation in GP and GP margin was mainly attributable to the following:-

(i) Decrease in GP contribution from EPCC services and facilities improvement/ maintenance of RM1.31 million or 37.86% from RM3.46 million to RM2.15 million. The GP margin recorded by EPCC services and facilities improvement/ maintenance had also decreased from 47.81% to 32.44%.

As highlighted in **Section 8.2.2** of this Information Memorandum, during the preceding 6-month FPE 30 June 2020, our major customer provided one-off work orders for replacement of corroded/ damaged structural members as well as blasting and painting of structures at its onshore facilities at Kerteh, Terengganu (i.e. onshore gas terminal and onshore slug catcher). The one-off work orders were given to expedite the completion of the aforesaid services in the first half of 2020 in view of the initial uncertainty arising from the COVID-19 pandemic (i.e. whether the Government would impose temporary suspension on onshore facilities maintenance and modification services).

Given that we were required to implement the one-off work orders within a shorter timeframe coupled with lower manpower costs involved (as we carried out the work orders in-house without relying on subcontractors) as compared to our conventional facilities improvement/ maintenance works, our Group managed to recognise improved margins during the 6-month FPE 30 June 2020. As we did not receive such one-off work orders from our major customer in the 6-month FPE 30 June 2021, we recognised lower GP and GP margin from EPCC services and facilities improvement/ maintenance in the said financial period.

(ii) Increase in GP contribution from installation and maintenance of oilfield equipment of RM0.86 million or 98.85% from RM0.87 million to RM1.73 million. The GP margin recorded by installation and maintenance of oilfield equipment had also improved from 39.97% to 69.88%.

As highlighted in **Section 8.2.2** of this Information Memorandum, the COVID-19 pandemic since March 2020 had led to the deferment of less urgent maintenance activities, such as installation and maintenance of pig trap system, at our major customer's offshore production facilities. With the easing of government lockdowns in the fourth quarter of 2020, our major customer issued more work orders to carry out the deferred installation and maintenance of pig trap system in the 6-month FPE 30 June 2021.

Accordingly, we had provided installation services for 3 pig trap systems (including the barrel, launcher and receiver) at the offshore production facilities of our major customer during the 6-month FPE 30 June 2021 as compared to installation services for 1 pig trap system in the preceding financial period. For information purposes, the installation of pig trap system generally provides higher margins as compared to the maintenance of pig trap system, as it comprises a broader scope of services that requires more labour and technical expertise including the removal of existing pig trap system as well as supply and installation of new pig trap system complete with parts and components.

## 8. FINANCIAL INFORMATION (CONT'D)

### 8.2.5 Other income

A breakdown of our other income for the past 2 financial years up to the FYE 31 December 2020 as well as for the unaudited 6-month FPE 30 June 2020 and 2021 is set out below:-

| | <-----------------Audited---------------> | | | | <-----------------Unaudited---------------> | | | |
|---|---|---|---|---|---|---|---|---|
| | FYE 31 December | | | | 6-month FPE 30 June | | | |
| | 2019 | | 2020 | | 2020 | | 2021 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Wage subsidy | - | - | 275 | 98.21 | 161 | 99.38 | 25 | 65.79 |
| Gain on disposal of plant and equipment | - | - | 4 | 1.43 | - | - | 10 | 26.32 |
| Gain on derecognition of right-of-use assets | - | - | 1 | 0.36 | 1 | 0.62 | 3 | 7.89 |
| **Total** | **-** | **-** | **280** | **100.00** | **162** | **100.00** | **38** | **100.00** |

**FYE 31 December 2020 compared to FYE 31 December 2019**

For the FYE 31 December 2020, we recorded other income of RM0.28 million mainly due to wage subsidy amounting to RM0.28 million received from Social Security Organisation's (SOCSO) Wage Subsidy Programme.

**6-month FPE 30 June 2021 compared to 6-month FPE 30 June 2020**

For the 6-month FPE 30 June 2021, we recorded other income of RM38,000 which represents a decrease of RM124,000 or 76.54% as compared to RM162,000 for the 6-month FPE 30 June 2020. The decrease in other income was mainly due to lower wage subsidy received from Social Security Organisation's (SOCSO) Wage Subsidy Programme which was partially offset by the recognition of gain on disposal of plant and equipment comprising 1 unit of lorry and 1 unit of motor vehicle of RM10,000 during the 6-month FPE 30 June 2021.

### 8.2.6 Administrative expenses

A breakdown of our administrative expenses for the past 2 financial years up to the FYE 31 December 2020 as well as for the unaudited 6-month FPE 30 June 2020 and 2021 is set out below:-

| | <-----------------Audited---------------> | | | | <-----------------Unaudited---------------> | | | |
|---|---|---|---|---|---|---|---|---|
| | FYE 31 December | | | | 6-month FPE 30 June | | | |
| | 2019 | | 2020 | | 2020 | | 2021 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Administrative staff costs | 3,069 | 57.78 | 3,853 | 63.42 | 1,811 | 65.48 | 1,761 | 52.45 |
| Fixed assets upkeep | 871 | 16.40 | 879 | 14.47 | 443 | 16.02 | 434 | 12.93 |
| Professional fee | 394 | 7.41 | 529 | 8.71 | 290 | 10.48 | 677 | 20.17 |
| Tax and other charges | 435 | 8.19 | 518 | 8.53 | 76 | 2.75 | 165 | 4.92 |
| Office supplies and expenses | 444 | 8.36 | 229 | 3.77 | 95 | 3.43 | 156 | 4.65 |
| Others | 99 | 1.86 | 67 | 1.10 | 51 | 1.84 | 164 | 4.88 |
| **Total** | **5,312** | **100.00** | **6,075** | **100.00** | **2,766** | **100.00** | **3,357** | **100.00** |

**FYE 31 December 2020 compared to FYE 31 December 2019**

For the FYE 31 December 2020, we recorded administrative expenses of RM6.08 million which represents an increase of RM0.77 million or 14.50% as compared to RM5.31 million for the FYE 31 December 2019.

The increase in administrative expenses was mainly due to the following:-

(i) Increase in administrative staff costs of RM0.78 million or 25.41% from RM3.07 million to RM3.85 million mainly due to the increase in staff salaries by RM0.42 million and the resultant increase in Employees Provident Fund contributions of RM0.12 million. The increase in staff salaries and Employees Provident Fund contributions was mainly attributable to the hiring of 2 batches of additional technical staff (i.e. quality assurance /quality control engineers, project engineers and project managers) in March 2019 and July 2019 to coordinate project reviews and ensure the proper implementation of our Group's call out contract with PETRONAS Carigali Sdn Bhd involving onshore facilities maintenance, construction and modification services (which began to receive work orders from February 2019 onwards). As a result, the headcount of our administrative staff had increased from 37 in February 2019 to 48 in December 2020; and

(ii) Increase in professional fees of RM0.13 million or 32.50% from RM0.40 million to RM0.53 million mainly due to the increase in consultation fees and professional fees incurred with regards to our Proposed Listing amounting to RM0.09 million and RM0.09 million respectively.

**6-month FPE 30 June 2021 compared to 6-month FPE 30 June 2020**

For the 6-month FPE 30 June 2021, we recorded administrative expenses of RM3.36 million which represents an increase of RM0.59 million or 21.30% as compared to RM2.77 million for the 6-month FPE 30 June 2020. The increase in administrative expenses was mainly due to the following:-

(i) Increase in professional fees of RM0.39 million or more than 100% from RM0.29 million to RM0.68 million mainly due to the increase in professional fees incurred with regards to our Proposed Listing;

(ii) Increase in other administrative expenses of RM0.11 million or more than 100% from RM0.05 million to RM0.16 million mainly due to the increase in insurance costs of RM0.10 million as a result of one-off contract insurance costs arising from 4 contracts that were secured after the first half of 2020 (comprising 3 contracts valid from 28 October 2020 and 1 contract valid from 21 March 2021).

### 8.2.7 Finance income

**FYE 31 December 2020 compared to FYE 31 December 2019**

For the FYE 31 December 2020, we recorded finance income of RM0.09 million which represents an increase of RM0.05 million or more than 100% as compared to RM0.04 million for the FYE 31 December 2019, as a result of higher interest income received from fixed deposits with licensed banks during the FYE 31 December 2020.

**6-month FPE 30 June 2021 compared to 6-month FPE 30 June 2020**

For the 6-month FPE 30 June 2021, we recorded finance income of RM0.01 million which represents a decrease of RM0.06 million or 85.71% as compared to RM0.07 million for the 6-month FPE 30 June 2020, as a result of lower interest income received from fixed deposits with licensed banks during the 6-month FPE 30 June 2021.

### 8.2.8 Finance costs

A breakdown of our finance costs for the past 2 financial years up to the FYE 31 December 2020 as well as for the unaudited 6-month FPE 30 June 2020 and 2021 is set out below:-

| | <-----------------Audited-----------------> | | | | <-----------------Unaudited-----------------> | | | |
|---|---|---|---|---|---|---|---|---|
| | **FYE 31 December** | | | | **6-month FPE 30 June** | | | |
| | **2019** | | **2020** | | **2020** | | **2021** | |
| | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** |
| Interest expenses arising from:- | | | | | | | | |
| Term loans | 132 | 27.16 | 93 | 26.27 | 51 | 30.18 | 40 | 28.57 |
| Trade financing | 173 | 35.60 | 55 | 15.54 | 36 | 21.30 | 51 | 36.43 |
| Hire purchase liabilities | 28 | 5.76 | 54 | 15.25 | 20 | 11.83 | 13 | 9.29 |
| Bank overdraft | 44 | 9.05 | 38 | 10.74 | 20 | 11.83 | 10 | 7.14 |
| Lease liabilities | 26 | 5.35 | 24 | 6.78 | 14 | 8.29 | 10 | 7.14 |
| Bank guarantee | 83 | 17.08 | 90 | 25.42 | 28 | 16.57 | 16 | 11.43 |
| **Total** | **486** | **100.00** | **354** | **100.00** | **169** | **100.00** | **140** | **100.00** |

**FYE 31 December 2020 compared to FYE 31 December 2019**

For the FYE 31 December 2020, we recorded finance costs of RM0.35 million which represents a decrease of RM0.14 million or 28.57% as compared to RM0.49 million for the FYE 31 December 2019.

The decrease in finance costs was mainly due to the following:-

(i) Decrease in interest expenses arising from term loans of RM0.04 million or 30.77% from RM0.13 million to RM0.09 million due to the partial repayment of our existing term loans bearing higher interest rates and the drawdown of a new term loan bearing lower interest rates during the FYE 31 December 2020; and

(ii) Decrease in interest expenses arising from trade financing of RM0.09 million or 52.94% from RM0.17 million to RM0.06 million due to the decrease in trade financing of RM1.47 million from RM1.95 million to RM0.48 million as a result of our Company using more internally generated funds to finance our working capital in the FYE 31 December 2020.

**6-month FPE 30 June 2021 compared to 6-month FPE 30 June 2020**

For the 6-month FPE 30 June 2021, we recorded finance costs of RM0.14 million which represents a decrease of RM0.03 million or 17.65% as compared to RM0.17 million for the 6-month FPE 30 June 2020. The decrease in finance costs was mainly due to the decrease in interest expenses arising from term loans of RM0.01 million or 20.00% from RM0.05 million to RM0.04 million as a result of the net repayment of term loan amounting to RM0.17 million during the 6-month FPE 30 June 2021.

## 8. FINANCIAL INFORMATION (CONT'D)

### 8.2.9 PAT and PAT margin

| | <-----------Audited------------> FYE 31 December | | <----------Unaudited--------> 6-month FPE 30 June | |
|---|---|---|---|---|
| | **2019** | **2020** | **2020** | **2021** |
| PAT (RM'000) | 457 | 2,949 | 1,383 | 524 |
| PAT margin (%) | 2.23 | 14.85 | 12.55 | 5.30 |

**FYE 31 December 2020 compared to FYE 31 December 2019**

For the FYE 31 December 2020, we recorded PAT of RM2.95 million which represents an increase of RM2.49 million or 541.30% as compared to RM0.46 million for the FYE 31 December 2019. The increase in PAT was mainly due to the increase in GP of RM3.56 million or 54.69% as compared to the FYE 31 December 2019.

Our PAT margin also improved from 2.23% for the FYE 31 December 2019 to 14.85% for the FYE 31 December 2020. The improvement in PAT margin was in line with the improvement in GP margin from 31.83% for the FYE 31 December 2019 to 50.70% for the FYE 31 December 2020.

**6-month FPE 30 June 2021 compared to 6-month FPE 30 June 2020**

For the 6-month FPE 30 June 2021, we recorded PAT of RM0.52 million which represents a decrease of RM0.86 million or 62.32% as compared to RM1.38 million for the 6-month FPE 30 June 2020. The decrease in PAT was mainly due to the decrease in GP of RM0.33 million or 7.16% as compared to the 6-month FPE 30 June 2020.

Our PAT margin decreased from 12.55% for the 6-month FPE 30 June 2020 to 5.30% for the 6-month FPE 30 June 2021. The decrease in PAT margin was mainly due to the increase in administrative expenses of RM0.59 million or 21.30% as compared to the 6-month FPE 30 June 2020.

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### 8.2.10 Cash flows

A summary of our Group's historical audited statements of cash flow for the past 2 financial years up to the FYE 31 December 2020 as well as our unaudited statements of cash flow for the 6-month FPE 30 June 2020 and 2021 is set out below:-

| | <-----------Audited------------> | | <---------Unaudited--------> | |
|---|---|---|---|---|
| | FYE 31 December | | 6-month FPE 30 June | |
| | 2019 | 2020 | 2020 | 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net cash (used in)/ from operating activities | 3,165 | 4,591 | 1,623 | (2,015) |
| Net cash (used in)/ from investing activities | (599) | (161) | (80) | 157 |
| Net cash used in financing activities | (1,236) | (3,522) | (2,016) | (450) |
| **Net increase/ (decrease) in cash and cash equivalents** | **1,330** | **908** | **(473)** | **(2,308)** |
| Cash and cash equivalents as at 29 December 2020 (the date of incorporation) | - | -[*1] | - | - |
| Cash and cash equivalents at the beginning of the year | 1,027 | 2,357 | 2,357 | 3,265 |
| **Cash and cash equivalents at the end of the year** | **2,357** | **3,265** | **1,884** | **957** |

**Note:-**

[*1] Denotes RM2.

**FYE 31 December 2019**

**Net cash from operating activities**

We recorded net cash from operating activities of RM3.17 million in the FYE 31 December 2019, based on operating profit before working capital changes of RM1.88 million and after taking into consideration the following key factors:-

(i) Decrease in inventories of RM0.53 million mainly due to utilisation of raw materials for chemical injection skids (e.g. solenoid valves, pressure regulator and right angle mixer, etc.) and fire rated doors (e.g. panic bar, lockset and gasket, etc.);

(ii) Decrease in trade and other receivables of RM2.42 million mainly due to cash receipts from our major customer for the provision of EPCC services for chemical injection skids and onshore facilities maintenance, construction and modification services as well as installation and maintenance of complete assembled fire rated doors;

(iii) Decrease in trade and other payables of RM0.58 million mainly due to cash payments to (i) suppliers in relation to supply of parts and components for fire rated doors, chemical injections skids and pig trap systems (ii) subcontractors for mechanical and electrical, civil and fabrication services and scaffold erection services.

**Net cash used in investing activities**

We recorded net cash used in investing activities of RM0.60 million in the FYE 31 December 2019 mainly due to the addition of property, plant and equipment of RM0.94 million which mainly consists of the addition of 1 unit of forklift, 1 unit of lorry and 4 units of motor vehicles during the financial year.

**Net cash used in financing activities**

We recorded net cash used in financing activities of RM1.24 million in the FYE 31 December 2019 mainly due to the following:-

(i) Net repayment of term loan of RM0.37 million; and

(ii) Payment of interest expenses of RM0.49 million. Further details of the interest expenses are set out in **Section 8.2.8** of this Information Memorandum.

**FYE 31 December 2020**

**Net cash from operating activities**

We recorded net cash from operating activities of RM4.59 million in the FYE 31 December 2020, based on operating profit before working capital changes of RM4.99 million and after taking into consideration the following key factors:-

(i) Decrease in inventories of RM0.83 million mainly due to utilisation of raw materials for pig trap system (e.g. QOCs, locking mechanism, metal flanges and pipes, etc.);

(ii) Decrease in trade and other receivables of RM0.11 million mainly due to cash receipts from our major customer for the provision of onshore facilities maintenance, construction and modification services; and

(iii) Decrease in trade and other payables of RM0.79 million mainly due to higher cash payments to (i) suppliers in relation to supply of parts and components for fire rated doors and pig trap systems (ii) subcontractors for mechanical and electrical, civil and fabrication services and scaffold erection services.

**Net cash used in investing activities**

We recorded net cash used in investing activities of RM0.16 million in the FYE 31 December 2020 mainly due to the following:-

(i) The addition of property, plant and equipment of RM0.35 million which mainly consists of the addition of 1 unit of forklift and 2 units of motor vehicles during the financial year; and

(ii) Uplifting of pledged deposits amounting to RM0.22 million.

**Net cash used in financing activities**

We recorded net cash used in financing activities of RM3.52 million in the FYE 31 December 2020 mainly due to the following:-

(i) Dividend paid to the shareholders of Steel Hawk Engineering of RM1.86 million;

(ii) Net repayment of trade financing of RM1.47 million; and

(iii) Net drawdown of term loan of RM0.59 million.

**6-month FPE 30 June 2020**

**Net cash from operating activities**

We recorded net cash from operating activities of RM1.62 million in the 6-month FPE 30 June 2020 based on operating profit before working capital changes of RM2.39 million and after taking into consideration the following key factors:-

(i) Decrease in inventories of RM0.78 million mainly due to utilisation of raw materials for pig trap system (e.g. QOCs, locking mechanism, metal flanges and pipes, etc.); and

(ii) Increase in trade and other receivables of RM0.77 million mainly due to invoices billed to our major customer during the financial period for the provision of onshore facilities maintenance, construction and modification services.

**Net cash used in investing activities**

We recorded net cash used in investing activities of RM0.08 million in the 6-month FPE 30 June 2020 after taking into consideration the following key factors:-

(i) Addition of property, plant and equipment of RM0.15 million which consists of the addition of machinery and equipment, computers and software, furniture and fittings, office equipment as well as the renovation of office premises during the financial period; and

(ii) Interest income amounting to RM0.07 million.

**Net cash used in financing activities**

We recorded net cash used in financing activities of RM2.02 million in the 6-month FPE 30 June 2020 mainly due to the following:-

(i) Net repayment of trade financing of RM0.25 million;

(ii) Interest expenses of RM0.17 million, which mainly consists of interest expenses arising from term loans and trade financing;

(iii) Net repayment of term loan of RM0.20 million; and

(iv) Payment of dividend of RM1.20 million.

**6-month FPE 30 June 2021**

**Net cash used in operating activities**

We recorded net cash used in operating activities of RM2.02 million in the 6-month FPE 30 June 2021 based on operating profit before working capital changes of RM1.30 million and after taking into consideration the following key factors:-

(i) Increase in trade and other receivables of RM1.27 million mainly due to invoices billed to our major customer during the financial period for the provision of onshore facilities maintenance, construction and modification services;

(ii) Increase in trade and other payables of RM1.92 million mainly due to lower cash payments to (i) suppliers in relation to supply of parts and components for fire rated doors and pig trap systems (ii) subcontractors for mechanical and electrical, civil and fabrication services and scaffold erection services; and

(iii) Increase in contract assets of RM3.71 million mainly due to works that were completed towards the end of the financial period under review but that will only be invoiced after the financial period under review.

**Net cash from investing activities**

We recorded net cash from investing activities of RM0.16 million in the 6-month FPE 30 June 2021 mainly due to uplifting of a fixed deposit amounting to RM0.32 million.

The net cash from investing activities was partially off-set by the addition of property, plant and equipment of RM0.18 million which consists of the addition of computers and software, furniture and fittings, office equipment, motor vehicle as well as the renovation of office premises during the financial period.

**Net cash used in financing activities**

We recorded net cash used in financing activities of RM0.45 million in the 6-month FPE 30 June 2021 mainly due to the following:-

(i) Net repayment of term loan of RM0.17 million;

(ii) Interest expenses of RM0.14 million, which mainly consists of interest expenses arising from trade financing and term loans; and

(iii) Repayment of lease liabilities of RM0.09 million.

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### 8.2.11 Key financial ratios

The key financial ratios of our Group for the past 2 audited financial years up to the FYE 31 December 2020 as well as for the unaudited 6-month FPE 30 June 2021 have been prepared based on our historical audited and unaudited financial statements.

The key financial ratios of our Group are as follows:-

| | <--------------Audited------------> | | <-Unaudited--> |
|---|---|---|---|
| | FYE 31 December | | 6-month FPE 30 June |
| | 2019 | 2020 | 2021 |
| Trade receivables turnover period (days)*1 | 11 | 11 | 16 |
| Trade payables turnover period (days)*2 | 52 | 52 | 53 |
| Inventories turnover period (days)*3 | 38 | 29 | 13 |
| Current ratio (times)*4 | 1.35 | 2.14 | 1.85 |
| Gearing ratio (times)*5 | 1.25 | 0.69 | 0.48 |

**Notes:-**

*1 $\dfrac{\text{(Trade receivables at beginning + trade receivables at end)/ 2}}{\text{Revenue}}$ x 365 days for FYE or 182 days for FPE

*2 $\dfrac{\text{(Trade payables at beginning + trade payables at end)/ 2}}{\text{Cost of sales}}$ x 365 days for FYE or 182 days for FPE

*3 $\dfrac{\text{(Inventories at beginning + inventories at end)/ 2}}{\text{Cost of sales}}$ x 365 days for FYE or 182 days for FPE

*4 Computed based on the total current assets divided by the total current liabilities.

*5 Computed based on total loans and borrowings (only interest bearing) divided by total equity.

**Trade Receivables Turnover Period**

Our normal credit period given to our trade debtors is 30 days. Credit terms are assessed and approved on a case-by-case basis after taking into consideration, amongst others, the background and credit worthiness of the customer, payment history of the customer, our relationship with the customer and the scope of the project.

| | Trade Receivables as at 30 June 2021 | |
|---|---|---|
| | RM'000 | % |
| Not past due | 937 | 80.50 |
| Past due 1-90 days | 209 | 17.95 |
| Past due more than 90 days | 18 | 1.55 |
| **Total** | **1,164** | **100.00** |
| Subsequent receipts up to the LPD | 999 | 85.82 |
| Outstanding balance as at the LPD | 165 | 14.18 |

As at 30 June 2021, our Group has RM1.16 million trade receivables and as demonstrated above, our Group managed to keep 80.50% of such trade receivables within the credit period, i.e. is neither past due or impaired. As at the LPD, RM1.00 million or 85.82% of our Group's outstanding trade receivables as at 30 June 2021 have been collected.

Our trade receivables turnover period for the FYE 31 December 2019 and 2020 as well as the 6-month FPE 30 June 2021 were 11, 11 and 16 days, respectively, which were within our normal credit terms granted to our trade debtors.

We assess the recoverable amount for trade receivables that has been past due for more than 90 days. If the trade receivables that our Group expects to receive are less than the total trade receivables that are due to our Group, our Management would consider the need for impairment based on objective evidence, i.e. we would write off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Nevertheless, in managing credit risk of trade receivables, we will continuously manage and monitor our trade debtors and take appropriate actions (including but not limited to legal actions) to recover long overdue balances.

**Trade Payables Turnover Period**

The normal credit period granted to us by our trade suppliers range from 30 to 90 days from the date of invoice.

| | Trade Payables as at 30 June 2021 | |
|---|---|---|
| | RM'000 | % |
| Not past due | 359 | 15.51 |
| Past due 1-90 days | 1,739 | 75.12 |
| Past due more than 90 days | 217 | 9.37 |
| **Total** | **2,315** | **100.00** |
| Subsequent payments up to the LPD | 1,738 | 75.08 |
| Outstanding balance as at the LPD | 577 | 24.92 |

As at 30 June 2021, our Group has RM2.32 million trade payables and as demonstrated above, our Group managed to keep 15.51% of such trade payables within the credit period. As at the LPD, RM1.74 million or 75.08% of our Group's outstanding trade payables as at 30 June 2021 have been fully settled.

Our trade payables turnover period for the FYE 31 December 2019 and 2020 as well as the 6-month FPE 30 June 2021 were 52, 52 and 53 days, respectively, which were within the normal credit terms granted by our trade suppliers.

**Inventories Turnover Period**

Our Group's inventories mainly consist of raw materials (such as metal structures, steel plates, and non-metal piping and structures), complete assembled oilfield equipment (such as chemical injection skids, pig trap system, fire rated doors and oil spill recovery equipment) as well as parts, components and accessories of the oilfield equipment. Our inventories turnover period for the FYE 31 December 2019 and 2020 as well as the 6-month FPE 30 June 2021 were 38, 29 and 13 days, respectively.

Our inventories turnover period decreased from 38 days as at 31 December 2019 to 29 days as at 31 December 2020, mainly due to the decrease in average inventory for complete assembled fire rated doors as a result of our higher volume of installation and maintenance for complete assembled fire rated doors during the FYE 31 December 2020.

Our inventories turnover period decreased from 29 days as at 31 December 2020 to 13 days as at 30 June 2021. This was mainly attributable to the decrease in average inventory of raw materials for pig trap system due to our higher volume of installation and maintenance for pig trap system during the 6-month FPE 30 June 2021.

**Current Ratio**

**FYE 31 December 2020 compared to FYE 31 December 2019**

Our current ratio has improved from 1.35 times as at 31 December 2019 to 2.14 times as at 31 December 2020. This was attributable to the decrease in current liabilities by RM1.91 million mainly due to the decrease in trade financing of RM1.47 million as a result of our Company using more internally generated funds to finance our working capital and the increase in cash and cash equivalents by RM1.11 million mainly due to our PAT achieved in the FYE 31 December 2020.

**6-month FPE 30 June 2021 compared to FYE 31 December 2020**

Our current ratio has decreased from 2.14 times as at 31 December 2020 to 1.85 times as at 30 June 2021. This was mainly attributable to the increase in current liabilities by RM1.67 million. The increase in current liabilities was mainly due to the increase in trade and other payables of RM1.92 million.

**Gearing Ratio**

**FYE 31 December 2020 compared to FYE 31 December 2019**

Our gearing ratio has improved from 1.25 times as at 31 December 2019 to 0.69 times as at 31 December 2020. This was attributable to the following:-

(i) Decrease in loans and borrowings by RM1.13 million mainly due to the aforementioned decrease in trade financing of RM1.47 million; and

(ii) Increase in reserves by RM1.09 million mainly arising from our PAT achieved in the FYE 31 December 2020.

**6-month FPE 30 June 2021 compared to FYE 31 December 2020**

Our gearing ratio has decreased from 0.69 times as at 31 December 2020 to 0.48 times as at 30 June 2021. This was attributable to the following:-

(i) Decrease in loans and borrowings by RM0.68 million mainly due to the net repayment of term loan of RM0.17 million in the 6-month FPE 30 June 2021; and

(ii) Increase in share capital by 4.61 million arising from the issuance of 143,999,960 new Shares at an issue price of RM0.032 per Share pursuant to the Acquisition of Steel Hawk Engineering in the 6-month FPE 30 June 2021.

### 8.2.12 Significant Factors Affecting Our Financial Position and Results of Operations

**Section 6** of this Information Memorandum entitled "Risk Factors" provides details of risk factors relating to our business and the industry which we operate in. Some of these risk factors have an impact on our financial position and performance.

You should carefully consider the risk factors set out therein before making a decision on whether an investment in our Shares is suitable for you in light of your circumstances and financial resources.

### 8.2.13 Material capital commitments

Save as disclosed below, as at the LPD, there are no other material capital commitments incurred or known to be incurred by our Group, which upon becoming enforceable, may have a material impact on our financial results/ position:-

| **Capital expenditure commitments as at the LPD**<br>**Property, plant and equipment** | **RM'000** |
|---|---|
| Authorised and contracted for | 1,300 |

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# 9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

## 9.1 Related party transactions

Save as disclosed below, our Board confirms that there are no existing or presently proposed material related party transactions entered into by us which involves the direct or indirect interest of our Directors and substantial shareholders, and/ or persons connected with them as defined under the LEAP Market Listing Requirements for the past 2 FYE 31 December 2019 and 2020, and the subsequent period up to the LPD:-

| | | | <-----------Transaction value----------> | | | |
|---|---|---|---|---|---|---|
| **Transacting parties** | **Nature of relationship** | **Nature of transactions** | **FYE 31 December 2019 RM'000** | **FYE 31 December 2020 RM'000** | **Between 1 January 2021 and LPD RM'000** | **Notes** |
| Steel Hawk Engineering and SS Innovations Sdn Bhd | Dato' Sharman, our Promoter, substantial shareholder and Executive Director, is also a director and shareholder of SS Innovations Sdn Bhd<br><br>Datin Annie A/P V. Sinniah, our Promoter, substantial shareholder and Executive Director, is also a director and shareholder of SS Innovations Sdn Bhd | Rental of PJ Office from SS Innovations Sdn Bhd | 60 | 60 | - | Refer Note[*1] |
| Steel Hawk Engineering and SS Innovations Sdn Bhd | Dato' Sharman, our Promoter, substantial shareholder and Executive Director, is also a director and shareholder of SS Innovations Sdn Bhd<br><br>Datin Annie A/P V. Sinniah, our Promoter, substantial shareholder and Executive Director, is also a director and shareholder of SS Innovations Sdn Bhd | Acquisition of PJ Office from SS Innovations Sdn Bhd | - | 600 | 700 | Refer Note[*2] |
| Steel Hawk Engineering and SKM Capital Sdn Bhd | Dato' Sharman, our Promoter, substantial shareholder and Executive Director, is also the sole shareholder of SKM Capital Sdn Bhd | Provision of engineering consultancy services for oil and gas pipeline cleaning and maintenance using pig trap system by SKM Capital Sdn Bhd | 150 | 175 | - | Refer Note[*3] |

## 9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

**Notes:-**

[*1] On 1 January 2019, we entered into a tenancy agreement with SS Innovations Sdn Bhd for the rental of PJ Office as our head office, namely 2 office units on the first floor of a 4-storey shop office located at No. 23-2 & 25-2, Jalan PJU 1/37, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, for 1 year commencing from 1 January 2019 to 31 December 2019 with monthly rental of RM5,000 ("**Tenancy**"). On 31 December 2019, the Tenancy was renewed at the same monthly rent for another year up to 31 December 2020 based on similar terms.

For information purpose, our office unit at No. 23-2 is made up of 1,475 square feet, which is taken up by our engineering department and management offices whilst our other office unit at No. 25-2 is made up of 1,475 square feet, which is occupied by our human resource, finance and procurement departments.

Based on the letters dated 31 March 2021 prepared by an independent registered valuer engaged by Steel Hawk Engineering, the monthly rental rate for the Tenancy is consistent with the market rental rate of comparable shop office units located within the vicinity of our PJ Office.

[*2] On 2 December 2020, we entered into two sale and purchase agreements with SS Innovations Sdn Bhd for the acquisition of our PJ Office, comprising 2 office units located at No. 23-2 & 25-2, Jalan PJU 1/37, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, for a total purchase consideration of RM1,300,000 to be satisfied entirely via cash ("**SPAs**").

On 31 December 2020, we had paid a total deposit amounting to RM600,000 to SS Innovations Sdn Bhd and the remaining RM700,000 of the purchase consideration will be fully settled upon the completion of the land title transfer of our PJ Office. The remaining purchase consideration of RM700,000 will be entirely financed via our internally generated funds. As at the LPD, the acquisition of our PJ Office is pending completion.

Based on the 2 valuation reports dated 26 November 2020 prepared by an independent registered valuer engaged by Steel Hawk Engineering, the total market value of our PJ Office was appraised by the independent registered valuer at RM1,300,000 using the Comparison Method. For information purpose, the material date of valuation was 18 November 2020.

[*3] SKM Capital Sdn Bhd was previously involved in the provision of engineering consultancy services for oil and gas pipeline cleaning and maintenance using pig trap system. As set out in **Section 4.1.1** of this Information Memorandum, we have an on-going contract, which contributed revenue during the FYE 31 December 2019 and 2020, that involves the provision of engineering, procurement, fabrication, installation, commissioning and inspection and maintenance works of pig trap system ("**Contract**"). During the FYE 31 December 2019 and 2020, we had relied on the engineering consultancy services of SKM Capital Sdn Bhd and our in-house engineering capabilities to provide the engineering works of pig trap system under the Contract. For avoidance of doubt, the engineering consultancy services provided by SKM Capital Sdn Bhd amounting to RM0.15 million and RM0.18 million for the FYE 31 December 2019 and 2020, respectively, were utilised solely for the Contract.

Nevertheless, our transactions with SKM Capital Sdn Bhd were based on prices which were competitive in comparison with prevailing market prices, and on terms and conditions that were similar to the commercial terms for transactions with third-party service providers.

For shareholders' information, our Group had ceased business dealings with SKM Capital Sdn Bhd entirely as at 10 July 2020, in view that our Group has developed in-house engineering capabilities to provide engineering works of pig trap system under the Contract without relying on external service providers. As highlighted in **Section 9.4** of this Information Memorandum, SKM Capital Sdn Bhd has commenced members' voluntary winding up as at the LPD.

Our Board, save for the interested Directors (namely Dato' Sharman and Datin Annie A/P V. Sinniah), is of the opinion that the transactions in **Section 9.1** of this Information Memorandum were carried out on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public.

## 9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

In the event that there are any proposed related party transactions that require the prior approval of our shareholders, the Directors and substantial shareholders, and/ or persons connected with them which have any interest, direct or indirect, in the proposed related party transaction will also abstain from voting in respect of his direct and/ or indirect shareholdings. Such interested Director and/ or substantial shareholder will also undertake to ensure that the person connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

### 9.2 Transactions that are unusual in their nature or conditions

Our Directors have confirmed that there are no transactions that are unusual in nature, or conditions, involving goods, services, tangible or intangible assets, to which we were a party for the past 2 FYE 31 December 2019 and 2020 and up to the LPD.

### 9.3 Outstanding loans (including guarantees of any kind)

Save as disclosed below, our Directors have confirmed that there are no outstanding loans (including guarantees of any kind) that have been granted by our Group to or for the benefits of related parties as at 31 December 2019 and 2020 and as at the LPD:-

| | | | <--------Outstanding balance-------> | | | |
|---|---|---|---|---|---|---|
| **Transacting parties** | **Nature of relationship** | **Nature of balance** | **As at 31 December 2019 RM'000** | **As at 31 December 2020 RM'000** | **As at the LPD RM'000** | **Notes** |
| Steel Hawk Engineering and SS Innovations Sdn Bhd | Dato' Sharman, our Promoter, substantial shareholder and Executive Director, is also a director and shareholder of SS Innovations Sdn Bhd<br><br>Datin Annie A/P V. Sinniah, our Promoter, substantial shareholder and Executive Director, is also a director and shareholder of SS Innovations Sdn Bhd | Balance outstanding of non-interest bearing advances from Steel Hawk Engineering (lender) to SS Innovations Sdn Bhd (borrower)<br><br>These advances were unsecured, interest free, repayable on demand and had been fully repaid as at 31 December 2020 | 678 | - | - | Refer Note*1 |
| Steel Hawk Engineering and Dato' Sharman | Dato' Sharman is our Promoter, substantial shareholder and Executive Director | Balance outstanding of non-interest bearing advances granted by Steel Hawk Engineering (lender) to Dato' Sharman (borrower)<br><br>These advances were unsecured, interest free, repayable on demand and had been fully repaid as at 31 December 2020 | 224 | - | - | Refer Note*2 |

**Notes:-**

*1 The purpose of the non-interest bearing advances was to finance the working capital requirements of SS Innovations Sdn Bhd. These advances had been fully repaid as at 31 December 2020.

## 9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

[*2] The non-interest bearing advances were granted by Steel Hawk Engineering to Dato' Sharman for personal use. These advances had been fully repaid as at 31 December 2020.

### 9.4 Interest in similar businesses and in businesses of our customers or suppliers

Save as disclosed below, as at the LPD, none of our Directors or substantial shareholders have any interest, direct or indirect, in other businesses and corporations carrying on a similar trade as our Group and/ or in any businesses and corporations of our customers or suppliers:-

| Company | Principal activities | Nature of business | Director/ substantial shareholder | Nature of relationship |
|---|---|---|---|---|
| SKM Capital Sdn Bhd (in members' voluntary winding up pursuant to Section 433 of the Act) | Dormant[*1] | Our supplier | Dato' Sharman | Dato' Sharman, our major shareholder and Executive Director, is also the sole shareholder of SKM Capital Sdn Bhd |

**Note:-**

[*1] SKM Capital Sdn Bhd was previously involved in the provision of engineering consultancy services for oil and gas pipeline cleaning and maintenance using pig trap system.

Our Group had ceased business dealings with SKM Capital Sdn Bhd entirely as at 10 July 2020. Further, as at the LPD, SKM Capital Sdn Bhd had commenced members' voluntary winding up pursuant to Section 443 of the Act. Dato' Sharman had ceased to be the Director of SKM Capital Sdn Bhd on 31 May 2021, while retaining his shareholding in SKM Capital Sdn Bhd, pursuant to the commencement of members' voluntary winding-up.

Premised on the above, there is no situation of conflict of interest that exists or is likely to exist in relation to the interest of Dato' Sharman in SKM Capital Sdn Bhd.

### 9.5 Declaration by Advisers for our Proposed Listing

#### (i) Approved Adviser and Placement Agent

UOBKH has given its written confirmation that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Approved Adviser and Placement Agent for the Proposed Listing.

#### (ii) Due Diligence Solicitors

Azman Davidson & Co has given its confirmation that there is no existing or potential conflict of interest in its capacity as the Due Diligence Solicitors for the Proposed Listing.

#### (iii) Auditors and Reporting Accountants

KPMG PLT has given its confirmation that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants for the Proposed Listing.

#### (iv) IMR

Smith Zander has given its confirmation that there is no existing or potential conflict of interest in its capacity as the IMR for the Proposed Listing.

## 10. OTHER INFORMATION

### 10.1 Responsibility statements

Our Directors and Promoters have seen and approved this Information Memorandum, and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in this Information Memorandum false or misleading.

UOBKH acknowledges that, based on all available information and to the best of its knowledge and belief, this Information Memorandum constitutes a full and true disclosure of all material facts concerning the Proposed Listing.

### 10.2 Material contracts

Save as disclosed below, we have not entered into and/ or completed any material contract with parties outside of our Group which is not in the ordinary course of our business during the 2 years preceding the LPD:-

(i) Sale and purchase agreement dated 2 December 2020 entered into between Steel Hawk Engineering as the purchaser and SS Innovations Sdn Bhd as the vendor to acquire No. 23-2 of the PJ Office for a total consideration of RM650,000.00. As at the LPD, this transaction is pending completion;

(ii) Sale and purchase agreement dated 2 December 2020 entered into between Steel Hawk Engineering as the purchaser and SS Innovations Sdn Bhd as the vendor to acquire No. 25-2 of the PJ Office for a total consideration of RM650,000.00. As at the LPD, this transaction is pending completion; and

(iii) Share sale agreement dated 12 April 2021 entered into between Steel Hawk, as the purchaser and Dato' Sharman, Salimi bin Khairuddin and Khairul Nazri bin Kamarudin, as the vendors in respect of the Acquisition of Steel Hawk Engineering ("**SSA**"). The SSA was completed on 9 June 2021 and further details are set out in **Section 3.6** of this Information Memorandum.

### 10.3 Material litigation

As at the LPD, save as disclosed below, neither our Company nor our subsidiary are involved in any material litigation, claims or arbitration, either as plaintiff or defendant, which may have a material adverse effect on the business or financial position of our Group, and our Directors are not aware of any proceedings, pending or threatened, or of any fact likely to give rise to any proceedings which may have a material adverse effect on the business or financial position of our Group:-

(i) <u>Kuala Lumpur High Court ("**KLHC**" or "**High Court**"), Civil Suit No.: WA-22NCvC-554-08/2019 ("**Main Suit**")</u>
<u>KLHC Execution No. WA-37G-144-11/2019</u>
<u>KLHC Execution No. WA-37WS-22-06/2020</u>
<u>Court of Appeal (Civil Appeal No.: W-02(IM)(NCvC)-318-02/2021</u>

<u>Steel Hawk Engineering and Dato' Sharman ("**Plaintiffs**") and</u>
<u>Sundereswaran A/L Raja Manickam ("**First Defendant**"), Lawrence A/L George ("**Second Defendant**") and Thilaga A/P Velayan ("**Third Defendant**") (collectively "**Defendants**")</u>

## 10. OTHER INFORMATION (CONT'D)

On 5 August 2019, the Plaintiffs filed a Writ and Statement of Claim to seek specific reliefs for a criminal breach of trust committed by the First Defendant including obtaining kick-backs and bribes from suppliers of Steel Hawk Engineering in return for a percentage of profits. The Plaintiffs also alleged that the Defendants formed an unlawful means conspiracy where they intended to disrepute the Plaintiffs and to divert business from Steel Hawk Engineering to their own proposed oil and gas company. Slanderous statements which were defamatory were also made by the Second Defendant against Dato' Sharman.

The Plaintiffs' claims for among others, a declaratory order that (a) the Defendants have unlawfully conspired and combined together to cause loss, harm and damage to the Plaintiffs and (b) the slanderous statement is false and a malicious lie and that the slanderous statement is a malicious falsehood crafted by the Defendants to bring the Plaintiffs into disrepute and disdain. The Plaintiffs' also claims for a written apology from the Defendants to be published in the newspapers, general damages, aggravated, exemplary and/or punitive damages to be paid by the Defendants, jointly and severally, to the Plaintiffs.

On 19 August 2019, the Plaintiffs filed an ex-parte injunction to claim for a mandatory injunction to compel the Defendants and/or their agents, servants and/or representatives to deliver-up all of the private documents including but not limited to contracts, technical and commercial proposals, bank statements, secrecy declaration, corporate information, internal audit report, and major licenses ("**Private Documents**"), together with all such documents, books, computers, papers, items, correspondence and/or property belonging to the Plaintiffs. On 23 August 2019, the High Court granted the Order to compel the delivery of the documents to be made within fourteen (14) days from the date of the Order. The High Court also granted a prohibitory injunction to restrain the Defendants and/or their agents, servants and/or representatives from making any copy, reproduction and/or substitute the Private Documents pending the disposal of the Injunction and to restrain the Defendants and/or their agents, servants and/or representatives from making any documents and to divulge the documents to any third party.

Subsequently, an Ad-Interim Order for the Injunction was further granted on 6 September 2019 for the Defendants to deliver-up all of the Private Documents to the solicitors acting for the Plaintiffs on or before 8 October 2019 and to restrain the Defendants from making any copy, reproduction and/or substitute the Private Documents and from divulging the documents to any third party pending the full and final disposal of the inter-parte hearing which was then fixed on 8 October 2019. KLHC granted the Plaintiffs an inter-parte Injunction Order against the Defendants on 9 October 2019 ("**Injunction Order**") to compel the Defendants to deliver-up all of the Private Documents to the solicitors acting for the Plaintiffs by 9 October 2019 and to restrain the Defendants and/or their agents, servants and/or representatives from making any copy, reproduction and/or substitute and/or divulge the Private Documents to any third party pending the full and final disposal of the Suit. On 20 September 2019, the First, Second and Third Defendants filed the Statements of Defence. Subsequently, the Plaintiffs filed a striking off application to strike out part of the Second Defendant's and Third Defendant's Statement of Defence. The striking off application was dismissed on 12 January 2021. The Plaintiffs filed an appeal on 11 February 2021 to the Court of Appeal and the Appeal is currently at the stage of case management whereby the next case management is fixed on 20 October 2021. The Solicitors for the Second Defendant have also filed a Notice of Motion in the Striking-Out Appeal to discharge themselves and is currently fixed for case management on 9 September 2021.

Discovery Application

On 19 November 2019, the Plaintiffs filed an application for discovery of documents against the Defendants. The documents sought included all bank accounts and statements maintained by the Defendants, and mobile telephone records from when they began working with the Plaintiffs up till the filing of the Civil Suit. The application is currently held in abeyance pending the disposal of the discharge application filed by the Third Defendant's solicitors.

Garnishee application

On 21 November 2019, the Plaintiffs filed an ex-parte garnishee application against the Defendants for non-payment of costs in the sum of RM10,400.00 relating to the Injunction Order dated 9 October 2019. The ex-parte Garnishee Order and a Garnishee Order Absolute were granted against the Defendants with no order as to costs.

Writ of Sale and Seizure

On 18 June 2020, the Plaintiffs filed a Writ of Sale and Seizure against the First and Second Defendants which is pending the execution of the seizure. The same is currently pending for the Bailiff to execute the seizure.

Application to commence committal proceedings

On 2 July 2020, the Plaintiffs filed an ex-parte application for leave to commence committal proceedings against the First Defendant for failure to comply with the terms of the Injunction Order and KLHC granted the ex-parte leave application on 10 August 2020.

On 11 August 2020, the Plaintiffs filed an application for the committal proceedings. The case management for the committal proceedings against the First Defendant was fixed on 7 May 2021. The application was fixed for hearing on 16 August 2021, where the hearing date was adjourned to 18 October 2021.

Discharge Application

On 18 May 2021, the Third Defendant's solicitors filed an application to discharge themselves from acting for the Third Defendant in the suit. The said application was fixed for hearing on 12 July 2021, where the hearing date was adjourned to 18 October 2021.

Steel Hawk Engineering's solicitors are of the view that the Plaintiffs have a reasonably good prospect of succeeding in the Main Suit against the Defendants.

(ii) Kuala Lumpur High Court ("**KLHC**" or "**Court**"), Civil Suit No.: WA-22NCvC-736-10/2019
Court of Appeal (Civil Appeal No.: W-02(NCvC)(W)-626-03/2021) ("**Civil Appeal**")

Steel Hawk Engineering and SS Innovations Sdn Bhd ("**Plaintiffs**") and
Lawrence A/L George ("**First Defendant**") and LTM Global Enterprise ("**Second Defendant**") (collectively "**Defendants**")

On 4 October 2019, the Plaintiffs filed a Writ and Statement of Claim to seek specific reliefs for the breach of fiduciary duties, breach of confidence and breach of trust committed by the First Defendant where it was alleged that the First Defendant has breach its fiduciary duty by setting up the Second Defendant as a means of directly competing with Steel Hawk Engineering during his tenure as an employee of Plaintiffs.

## 10. OTHER INFORMATION (CONT'D)

The Plaintiffs' claim for RM363,258.41 being all salaries and payment made by the Plaintiffs to the First Defendant, RM1,000,000.00 as punitive and/or exemplary damages and aggravated damages to be paid by the Defendants, jointly and severally, to the Plaintiffs.

The Defendants filed their Statement of Defence on 31 October 2019. On 22 November 2019, the Plaintiffs filed Interrogatories against the Defendants in relation to their allegations in their Defence pertaining to investigations by Malaysian Anti-Corruption Commission (MACC) whereby the Plaintiffs found evidence of the First Defendant requesting and receiving bribes from the subcontractor of Steel Hawk Engineering, Era Vision Engineering & Electrical, in order to approve the purchase orders for Steel Hawk Engineering's three (3) projects with PETRONAS Carigali Sdn Bhd and PETRONAS Dagangan Berhad, matters pertaining to the Second Defendant's possession of documents belonging to the Plaintiffs without their permission as well as allegation pertaining to the First Defendant setting up LTM Global Enterprise (Second Defendant). The Defendants had subsequently filed an Affidavit to Reply to the Interrogatories on 17 December 2019.

On 10 June 2020, the Plaintiffs filed the necessary Pre-Trial Documents including the Bundle of Pleadings, Bundle of Documents, Issues to be Tried, Agreed Facts, List of Witnesses, Summary of Case and Chronology. The civil suit was proceeded on 1 September 2020 to 4 September 2020.

On 24 March 2021, KLHC dismissed the Plaintiffs' claim. The Plaintiffs have since filed an appeal against the decision to the Court of Appeal and is currently pending filing of supplementary record of appeal. The Civil Appeal is currently fixed for case management on 7 October 2021.

Steel Hawk Engineering's solicitors are of the view that Steel Hawk Engineering has reasonably good prospects of success in the Civil Appeal.

(iii) Kuala Lumpur High Court ("**Court**"), Civil Suit No.: WA-22NCvC-737-10/2019 ("**Suit**")

Steel Hawk Engineering and SS Innovations Sdn Bhd ("**Plaintiffs**") and Thilaga A/P Velayan ("**First Defendant**"), Ghaveeta A/P Apparao ("**Second Defendant**") and LGT Trading ("**Third Defendant**") (collectively "**Defendants**")

On 4 October 2019, the Plaintiffs filed a Writ and Statement of Claim to seek specific reliefs for the breach of fiduciary duty committed by the First Defendant and Second Defendant where it is was alleged that they had breached their fiduciary duty by forming a new company, the Third Defendant, to directly compete with the Plaintiffs during their tenure as an employee of the Plaintiffs.

The Plaintiffs' claim for RM173,638.28 being all salaries and payments made by the Plaintiffs to the First Defendant, RM54,149.40, being all salaries and payments made by the Plaintiffs to the Second Defendant, RM1,000,000.00 as punitive and/or exemplary damages and aggravated damages to be paid by the Defendants, jointly and severally, to the Plaintiffs.

The Defendants filed their Defence on 5 November 2019. On 22 November 2019, the Plaintiffs filed an Interrogatories against the Defendants in relation to the allegation pertaining to the lack of locus standi and abuse of process, allegation pertaining to doctoring of documents, matters pertaining to income from the Third Defendant and to messages sent by the Second Defendant to Dato' Sharman. The Defendants had subsequently filed an Affidavits in Reply to the interrogatories on 10 December 2019.

## 10. OTHER INFORMATION (CONT'D)

On 19 June 2020, the Second Defendant entered into a Consent Judgment with the Plaintiffs whereby the Second Defendant shall pay a sum of RM54,149.40 to the Plaintiffs and shall cause an apology to the satisfaction of the Plaintiffs to be published in the newspaper within fourteen (14) days from the date of the Consent Judgement.

On 31 May 2021, the Plaintiffs filed an application to amend its Statement of Claim. On 18 June 2021, the Defendants' solicitors informed the Court that they will be filing an application to discharge themselves from acting for the Defendants in the suit ("**Application**"). On 14 July 2021, the Defendants' solicitors informed the Court that they failed to file the said Application due to the MCO. On 30 July 2021, the Defendants' solicitors filed the Application and served to the Plaintiffs.

The Suit against First Defendant and Third Defendant is currently fixed for full trial on 6 September 2021. Steel Hawk Engineering's solicitors are of the view that the Steel Hawk Engineering has strong prospects of success in the Suit.

Save for Steel Hawk Engineering and SS Innovations Sdn Bhd, all parties in the abovementioned Suits are not related to our Promoters, Directors, substantial shareholders and/ or key management. For avoidance of doubt, Dato' Sharman and Datin Annie A/P V Sinniah are the directors and shareholders of SS Innovations Sdn Bhd as set out in **Section 7.4** of this Information Memorandum.

### 10.4 Contingent liabilities

As at the LPD, there are no contingent liabilities which, upon becoming enforceable, may have a material impact on our financial position and business.

### 10.5 Letters of consent

The written consents of our Approved Adviser, Placement Agent, Continuing Adviser, Company Secretary, Due Diligence Solicitors, Auditors and Reporting Accountants, and Share Registrar as set out in the Corporate Directory of this Information Memorandum to the inclusion in this Information Memorandum of their names in the form and context in which such names appear have been given before the issue of this Information Memorandum and have not subsequently been withdrawn.

The written consent of the IMR for the inclusion of their name and the Independent Market Research Report in the form and context in which it is contained in this Information Memorandum has been given before the issue of this Information Memorandum and has not subsequently been withdrawn.

### 10.6 Documents available for inspection

Copies of this Information Memorandum are available free of charge and available for inspection at our registered office at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, during normal working hours for at least 1 month after our Proposed Listing on the LEAP Market.

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# APPENDIX I

## Audited Combined Financial Statements for the Financial Year Ended 31 December 2020

# Steel Hawk Sdn. Bhd.

(Registration No. 202001043293 (1399614-A))
(Incorporated in Malaysia)

# Accountants' Report on the Combined Financial Statements

# Steel Hawk Sdn. Bhd.

(Registration No. 202001043293 (1399614-A))
(Incorporated in Malaysia)

# Combined statements of financial position

| | Note | 2020 RM'000 | 2019 RM'000 |
|---|---|---|---|
| **Assets** | | | |
| Plant and equipment | 3 | 1,818 | 2,295 |
| Right-of-use assets | 4 | 197 | 403 |
| **Total non-current assets** | | 2,015 | 2,698 |
| Inventories | 5 | 338 | 1,169 |
| Contract assets | 6 | 1,186 | 944 |
| Trade and other receivables | 7 | 1,581 | 1,691 |
| Cash and cash equivalents | 8 | 5,013 | 3,905 |
| **Total current assets** | | 8,118 | 7,709 |
| **Total assets** | | 10,133 | 10,407 |
| **Equity** | | | |
| Share capital | 9 | * | - |
| Invested equity | 9 | 1,500 | 1,500 |
| Reserves | | 2,976 | 1,885 |
| **Total equity attributable to owners of the Company** | | 4,476 | 3,385 |
| **Liabilities** | | | |
| Loans and borrowings | 10 | 1,604 | 955 |
| Lease liabilities | | 60 | 203 |
| Deferred tax liabilities | 11 | 205 | 165 |
| **Total non-current liabilities** | | 1,869 | 1,323 |
| Loans and borrowings | 10 | 1,485 | 3,262 |
| Lease liabilities | | 148 | 210 |
| Trade and other payables | 12 | 1,325 | 2,122 |
| Current tax liabilities | | 830 | 105 |
| **Total current liabilities** | | 3,788 | 5,699 |
| **Total liabilities** | | 5,657 | 7,022 |
| **Total equity and liabilities** | | 10,133 | 10,407 |

** Denotes RM2*

# Steel Hawk Sdn. Bhd.

(Registration No. 202001043293 (1399614-A))
(Incorporated in Malaysia)

## Combined statements of profit or loss and other comprehensive income

| | Note | 2020 RM'000 | 2019 RM'000 |
|---|---|---|---|
| **Revenue** | 13 | 19,865 | 20,451 |
| Cost of sales | | (9,793) | (13,941) |
| **Gross profit** | | 10,072 | 6,510 |
| Other income | | 280 | - |
| Administrative expenses | | (6,075) | (5,312) |
| **Results from operating activities** | | 4,277 | 1,198 |
| Finance income | | 93 | 41 |
| Finance costs | 14 | (354) | (486) |
| **Profit before tax** | 15 | 4,016 | 753 |
| Tax expense | 16 | (1,067) | (296) |
| **Net profit and total comprehensive income for the year attributable to owners of the Company** | | 2,949 | 457 |
| **Basic earnings per ordinary share (RM)** | 17 | 1.97 | 0.30 |

# Steel Hawk Sdn. Bhd.

(Registration No. 202001043293 (1399614-A))
(Incorporated in Malaysia)

## Combined statements of changes in equity

| | Note | *Non-distributable* Share capital RM'000 | Invested equity[1] RM'000 | *Distributable* Retained earnings RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **At 1 January 2019** | | - | 1,500 | 1,428 | 2,928 |
| Net profit and total comprehensive income for the financial year | | - | - | 457 | 457 |
| **At 31 December 2019/ 1 January 2020** | | - | 1,500 | 1,885 | 3,385 |
| At 29 December 2020 (date of incorporation) | | * | - | - | * |
| Net profit and total comprehensive income for the financial year | | - | - | 2,949 | 2,949 |
| Dividends to owners of the Company | 18 | - | - | (1,858) | (1,858) |
| **At 31 December 2020** | | * | 1,500 | 2,976 | 4,476 |
| | | Note 9 | | | |

* *Denotes RM2*

(1) *This invested equity represents the Company's investment in Steel Hawk Engineering Sdn. Bhd.*

# Steel Hawk Sdn. Bhd.

(Registration No. 202001043293 (1399614-A))
(Incorporated in Malaysia)

## Combined statements of cash flows

| | Note | 2020 RM'000 | 2019 RM'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | 4,016 | 753 |
| *Adjustments for:* | | | |
| Depreciation of plant and equipment | 3 | 518 | 535 |
| Depreciation of right-of-use assets | 15 | 201 | 151 |
| Gain on disposal of plant and equipment | 3 | (4) | - |
| Gain on derecognition of right-of-use assets | 15 | (1) | - |
| Interest expenses | 14 | 354 | 486 |
| Interest income | | (93) | (41) |
| **Operating profit before changes in working capital** | | 4,991 | 1,884 |
| Changes in working capital: | | | |
| Inventories | | 831 | 529 |
| Trade and other receivables | | 110 | 2,420 |
| Trade and other payables | | (797) | (575) |
| Contract assets | | (242) | (757) |
| **Cash generated from operations** | | 4,893 | 3,501 |
| Tax paid | | (302) | (336) |
| **Net cash from operating activities** | | 4,591 | 3,165 |
| **Cash flows from investing activities** | | | |
| Acquisition of plant and equipment | *(ii)* | (346) | (944) |
| Proceeds from disposal of plant and equipment | | 309 | - |
| Interest income | | 93 | 41 |
| Changes in pledged deposits | | (217) | 304 |
| **Net cash used in investing activities** | | (161) | (599) |
| **Cash flows from financing activities** | | | |
| Interest expense | | (354) | (486) |
| Net drawdown/repayment of term loan | | 587 | (373) |
| Net repayment of trade financings | | (1,474) | (113) |
| Net repayment of hire purchase | | (224) | (120) |
| Repayment of lease liabilities | | (199) | (144) |
| Dividend paid | 18 | (1,858) | - |
| **Net cash used in financing activities** | | (3,522) | (1,236) |
| **Net increase in cash and cash equivalents** | | 908 | 1,330 |
| Cash and cash equivalents as at 29 December 2020 (the date of incorporation) | | * | - |
| Cash and cash equivalents at beginning of year | | 2,357 | 1,027 |
| **Cash and cash equivalents at end of year** | | 3,265 | 2,357 |

** Denotes RM2*

# Combined statements of cash flows (continued)

## (i) Cash and cash equivalents

Cash and cash equivalents included in the combined statements of cash flows comprise the following combined statements of financial position amounts:

| | Note | 2020 RM'000 | 2019 RM'000 |
|---|---|---|---|
| Cash and cash equivalents | 8 | 5,013 | 3,905 |
| Bank overdraft | 10 | (455) | (472) |
| | | 4,558 | 3,433 |
| Pledged deposits | 8 | (1,293) | (1,076) |
| | | 3,265 | 2,357 |

## (ii) Acquisition of plant and equipment

In prior year, the Group acquired plant and equipment with an aggregate cost of RM1,414,000, of which RM470,000 were acquired by means of hire purchase.

## (iii) Cash outflows for leases as a lessee

| | Note | 2020 RM'000 | 2019 RM'000 |
|---|---|---|---|
| **Included in net cash from operating activities** | | | |
| Payment relating to short-term leases | 15 | 400 | 752 |
| **Included in net cash from financing activities** | | | |
| Payment of lease liabilities | | 199 | 144 |
| Interest paid in relation to lease liabilities | 14 | 24 | 26 |
| **Total cash outflows for leases** | | 623 | 922 |

## Combined statements of cash flows (continued)

### (iv) Reconciliation of movements of liabilities to cash flows arising from financing activities

| | At 1.1.2019 RM'000 | Acquisition of new lease RM'000 | Net changes from financing cash flows RM'000 | At 31.12.2019/ 1.1.2020 RM'000 | Acquisition of new lease RM'000 | Net changes from financing cash flows RM'000 | Derecognition RM'000 | At 31.12.2020 RM'000 |
|---|---|---|---|---|---|---|---|---|
| Term loans | 1,414 | - | (373) | 1,041 | - | 587 | - | 1,628 |
| Trade financings | 2,066 | - | (113) | 1,953 | - | (1,474) | - | 479 |
| Hire purchase liabilities | 401 | 470 | (120) | 751 | - | (224) | - | 527 |
| Lease liabilities | 161 | 396 | (144) | 413 | 57 | (199) | (63) | 208 |
| Total liabilities from financing activities | 4,042 | 866 | (750) | 4,158 | 57 | (1,310) | (63) | 2,842 |

# Steel Hawk Sdn. Bhd.

(Registration No. 202001043293 (1399614-A))
(Incorporated in Malaysia)

# Notes to the combined financial statements

Steel Hawk Sdn. Bhd. ("the Company") is a private limited liability company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company is as follows:

**Principal place of business**
No. 23-2, Block H, Dataran Prima,
Jalan PJU 1/37,
47301 Petaling Jaya,
Selangor Darul Ehsan.

**Registered office**
Unit 30-01, Level 30, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi,
59200, Wilayah Persekutuan,
Kuala Lumpur.

The intended principal activity of the Company is principally engaged in investment holding activities. The principal activities of the combining entity, SHESB is principally engaged in the business to supply, deal, import and export of oilfield and petrochemical equipment, engineering equipment and spare parts; and to carry on the business as engineering maintenance services and mechanical pipeline engineering services for offshore and onshore in oil and gas and petrochemical industry.

## 1. Basis of preparation

The Company was incorporated on 29 December 2020 for the purpose of a restructuring exercise, as part of the listing scheme in relation to the proposed listing of and quotation for the entire issued share capital of the Company on the Leading Entrepreneur Accelerator Platform ("LEAP") Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Proposed Listing"), that will result in the Company becoming the holding company of SHESB.

The combined financial statements of the Company and its combining entity (together referred to as the "Group") have been prepared resulting from the restructuring of the Group in connection with the Proposed Listing.

The combined financial statements of the Group have been prepared as if the Group has been operated as a single economic entity throughout the financial years ended 31 December 2020 and 31 December 2019.

The financial information as prepared in the combined financial statements may not correspond with the consolidated financial statements of the Group after incorporating or effecting the relevant acquisitions. Such financial information from the combined financial statements does not purport to predict the financial positions, results of operation and cash flows of the Group.

# 1. Basis of preparation (continued)

## (a) Statement of compliance

The combined financial statements of the Group for the financial years ended 31 December 2020 and 31 December 2019 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRS").

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group:

***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021***

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021***

- Amendment to MFRS 16*, Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022***

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment − Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets − Onerous Contracts − Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018−2020)*

# 1. Basis of preparation (continued)

## (a) Statement of compliance (continued)

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023***

- MFRS 17 *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* and *Disclosure of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* – *Definition of Accounting Estimates*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed***

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.*

The Group has early adopted the amendment to MFRS 16*, Leases – Covid-19-Related Rent Concessions* issued by MASB in June 2020, in response to the COVID-19 pandemic. The amendment is effective for annual period beginning on or after 1 June 2020. The initial application of the amendment did not have any material financial impact to the current period and prior period combined financial statements of the Group.

The Group plans to apply the abovementioned accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021 and 1 April 2021;

- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022; and

- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 which is not applicable to the Group. *(Note: MFRS 17 that is effective 1 January 2023 is only applicable to Group which has insurance contracts.)*

The initial application of the amendments are not expected to have any material financial impact to the current period and prior period combined financial statements of the Group.

# 1. Basis of preparation (continued)

## (b) Basis of measurement

The combined financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

## (c) Functional and presentation currency

These combined financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

## (d) Use of estimates and judgements

The preparation of combined financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the combined financial statements other than those disclosed in the following notes:

- Note 4 – extension options and incremental borrowing rate in relation to leases

  The Group assesses at the lease commencement whether it is reasonably certain to exercise the extension options. The Group also applies judgement and assumptions in determining the incremental borrowing rate of respective leases.

## 2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these combined financial statements and have been applied consistently by the Group, unless otherwise stated.

### (a) Basis of combination

#### (i) Combining entities

The combined financial statements comprise the financial statements of the Company and its combining entity as at the reporting dates. The financial statements of the Company and its combining entity used in the preparation of the combined financial statements are prepared as of the same reporting dates.

There is no business combination when a restructuring is facilitated through incorporation of a new company ("Newco") (under common control of the shareholders that control the Company and the combining entity) and when there is only a business placed under the Newco. Newco is not a business and therefore cannot be the acquiree. Accordingly, book value accounting applies to this restructuring arrangement.

The combining entities are entities, including structured entities, under common control of the shareholders that control the Company and the combining entity, and are accounted for as if the Company and the combining entity are a single economic entity at the beginning of the earlier comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities of the combining entities are recognised at the carrying amounts recognised in the respective combining entities' financial statements. The components of equity of the combining entities are added to the same components within the Group's equity and any resulting gain/loss is recognised directly in equity.

Entities under common control are entities which are ultimately controlled by the same parties ("Controlling Shareholders") and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain the benefits from their activities, and that ultimate collective power is not transitory. The financial statements of common controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The Controlling Shareholders control an entity when they are exposed, or have rights, to variable returns from their involvement with the entity and have the ability to affect those returns through their power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Controlling Shareholders also consider they have de facto power over an investee when, despite not having the majority of voting rights, they have the current ability to direct the activities of the investee that significantly affect the investee's return.

# 2. Significant accounting policies (continued)

## (a) Basis of combination (continued)

### (ii) Transactions eliminated on combination

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the combined financial statements.

## (b) Foreign currency

### Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

## (c) Financial instruments

### (i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

# 2. Significant accounting policies (continued)

## (c) Financial instruments (continued)

### (ii) Financial instrument categories and subsequent measurement

***Financial assets***

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

***Amortised cost***

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(i)(i)) where the effective interest rate is applied to the amortised cost.

Financial assets are subject to impairment assessment (see Note 2(i)(i)).

**Financial liabilities**

***Amortised cost***

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

# 2. Significant accounting policies (continued)

## (c) Financial instruments (continued)

### (iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## (d) Plant and equipment

### (i) Recognition and measurement

Items of plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

## 2. Significant accounting policies (continued)

### (d) Plant and equipment (continued)

#### (ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

#### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use.

The depreciation rates for the current and comparative periods based on their estimated useful lives are as follows:

| | |
|---|---|
| • Computer and software | 20% |
| • Furniture and fitting | 10% |
| • Motor vehicle | 20% |
| • Office equipment | 10% |
| • Plant and machinery | 10% |
| • Renovation | 10% |
| • Signboard | 10% |

Depreciation methods and useful lives are reviewed at the end of the reporting period, and adjusted as appropriate.

## 2. Significant accounting policies (continued)

### (e) Leases

#### (i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

#### (ii) Recognition and initial measurement

**As a lessee**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

# 2. Significant accounting policies (continued)

## (e) Leases (continued)

### (ii) Recognition and initial measurement (continued)

**As a lessee (continued)**

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### (iii) Subsequent measurement

**As a lessee**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

## 2. Significant accounting policies (continued)

### (e) Leases (continued)

#### (iii) Subsequent measurement (continued)

**As a lessee (continued)**

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

#### (iv) Rent concession

The Group has applied the amendment to MFRS 16 Leases (COVID-19 Related Rent Concessions) whereby rent concessions received as a direct consequence of the COVID-19 pandemic are not assessed as a lease modification if all of the following conditions are met:

(i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(iii) there is no substantial change to other terms and conditions of the lease

If the above conditions are met, rent concessions are treated as variable lease payments and impact will be recognised in the profit or loss for the year.

### (f) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the first-in, first-out method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### (g) Contract asset

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(i)(i)).

## 2. Significant accounting policies (continued)

### (h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group in the management of their short term commitments. For the purpose of the combined statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

### (i) Impairment

#### (i) Financial assets

The Group recognises loss allowances for expected credit losses on financial assets measured at amortised cost and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

The Group measures loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

The Group assessed each customer individually based on their financial information, past trend of payments and external credit ratings, where applicable. The Group also considered that the credit risk has increased significantly if it is past due.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

## 2. Significant accounting policies (continued)

### (i) Impairment (continued)

#### (i) Financial assets (continued)

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery amounts due.

#### (ii) Other assets

The carrying amounts of other assets (except for inventories and contract assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

# 2. Significant accounting policies (continued)

## (i) Impairment (continued)

### (ii) Other assets (continued)

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

## (j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

### (i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

### (ii) Ordinary shares

Ordinary shares are classified as equity.

## (k) Employee benefits

### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### (ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

## 2. Significant accounting policies (continued)

### (l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### (m) Revenue and other income

#### (i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group performs;

(b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

#### (ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

### (n) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

## 2. Significant accounting policies (continued)

### (n) Borrowing costs (continued)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

### (o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## 2. Significant accounting policies (continued)

### (p) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

### (q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

### (r) Fair value measurement

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## 3. Plant and equipment

| | Computer and software RM'000 | Furniture and fitting RM'000 | Motor vehicle RM'000 | Office equipment RM'000 | Plant and machinery RM'000 | Renovation RM'000 | Signboard RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| ***Cost*** | | | | | | | | |
| At 1 January 2019 | 57 | 56 | 687 | 38 | 800 | 437 | - | 2,075 |
| Additions | 84 | 23 | 1,055 | 21 | 169 | 60 | 2 | 1,414 |
| At 31 December 2019/ 1 January 2020 | 141 | 79 | 1,742 | 59 | 969 | 497 | 2 | 3,489 |
| Additions | 55 | 2 | 168 | 13 | 27 | 80 | 1 | 346 |
| Disposals | - | - | (202) | - | (300) | - | - | (502) |
| At 31 December 2020 | 196 | 81 | 1,708 | 72 | 696 | 577 | 3 | 3,333 |
| ***Accumulated depreciation*** | | | | | | | | |
| At 1 January 2019 | 34 | 18 | 264 | 9 | 190 | 144 | - | 659 |
| Depreciation for the year | 25 | 8 | 348 | 6 | 97 | 50 | 1 | 535 |
| At 31 December 2019/ 1 January 2020 | 59 | 26 | 612 | 15 | 287 | 194 | 1 | 1,194 |
| Depreciation for the year | 33 | 8 | 342 | 7 | 70 | 57 | 1 | 518 |
| Disposals | - | - | (77) | - | (120) | - | - | (197) |
| At 31 December 2020 | 92 | 34 | 877 | 22 | 237 | 251 | 2 | 1,515 |
| ***Carrying amounts*** | | | | | | | | |
| At 1 January 2019 | 23 | 38 | 423 | 29 | 610 | 293 | - | 1,416 |
| At 31 December 2019/ 1 January 2020 | 82 | 53 | 1,130 | 44 | 682 | 303 | 1 | 2,295 |
| At 31 December 2020 | 104 | 47 | 831 | 50 | 459 | 326 | 1 | 1,818 |

# 3. Plant and equipment (continued)

## 3.1 Assets under hire purchase

Carrying amount of plant and equipment held under hire purchase arrangement are as follows:

| | 2020 RM'000 | 2019 RM'000 |
|---|---|---|
| Motor vehicle | 538 | 819 |

# 4. Right-of-use assets

| | Buildings RM'000 |
|---|---|
| At 1 January 2019 | 158 |
| Addition | 396 |
| Depreciation | (151) |
| At 31 December 2019/1 January 2020 | 403 |
| Addition | 57 |
| Depreciation | (201) |
| Derecognition* | (62) |
| At 31 December 2020 | 197 |

** Derecognition of the right-of-use assets during 2020 is as a result of early termination of lease contract.*

The Group leases a number of buildings for its office and business operations that typically run between 2 to 4 years. The Group have an option to renew the lease for buildings after that date.

## 4.1 Extension options

Some leases of buildings contain extension options exercisable by the Group up to 2 years before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

| | Lease liabilities recognised (discounted) RM'000 | Potential future lease payments not included in lease liabilities (discounted) RM'000 | Historical rate of exercise of extension options % |
|---|---|---|---|
| Buildings | 208 | 154 | 14 |

# 4. Right-of-use assets (continued)

### 4.2 Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

# 5. Inventories

| | 2020<br>RM'000 | 2019<br>RM'000 |
|---|---|---|
| **At cost:** | | |
| Oilfield and petrochemical equipment, engineering equipment and spare parts | 338 | 1,169 |
| Recognised in profit or loss: | | |
| Inventories recognised as cost of sales | 5,844 | 8,881 |

# 6. Contract assets

| | 2020<br>RM'000 | 2019<br>RM'000 |
|---|---|---|
| Contract assets | 1,186 | 944 |

The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the reporting date. Typically, the amount will be billed within 14 days and payment is expected within 30 days.

All contract assets at the beginning of the period has been transferred to trade receivables in the subsequent year.

# 7. Trade and other receivables

| | Note | 2020 RM'000 | 2019 RM'000 |
|---|---|---|---|
| **Trade** | | | |
| Trade receivables from contracts with customers | | 524 | 655 |
| | | | |
| **Non-trade** | | | |
| Other receivables | | 311 | 19 |
| Amount due from a director | 7.1 | - | 224 |
| Amount due from a company in which a Director has financial interest | 7.2 | - | 678 |
| Deposits | 7.3 | 744 | 98 |
| Prepayments | | 2 | 17 |
| | | 1,581 | 1,691 |

### 7.1 Amount due from a director

The amount due from a director was unsecured, interest free and repayable on demand.

### 7.2 Amount due from a company in which a Director has financial interest

The amount due from a company in which a Director has financial interest was unsecured, interest free and repayable on demand.

### 7.3 Deposits

Included in deposits is an amount of RM600,000 (2019: RM Nil) placed with a Company in which a Director has financial interest for the purchase of an office premise.

# 8. Cash and bank equivalents

| | 2020 RM'000 | 2019 RM'000 |
|---|---|---|
| Cash and bank balances | 3,720 | 2,829 |
| Deposits placed with licensed banks | 1,293 | 1,076 |
| | 5,013 | 3,905 |

Included in the deposits placed with licensed banks of the Group is RM319,000 (2019: RM310,000) pledged for a bank overdraft and RM974,000 (2019: RM766,000) pledged trade financing facility granted to the Group as disclosed in Note 10.

## 9. Share capital and invested equity

### (a) Share capital

| | Number of shares 2020 | Amount 2020 RM | Number of shares 2019 | Amount 2019 RM |
|---|---|---|---|---|
| **Issued and fully paid shares with no par value of the Company classified as equity instruments:** | | | | |
| At 29 December 2020 (date of incorporation)/31 December 2020 | * | * | - | - |

** Denotes RM2, consisting of 40 ordinary shares.*

### (b) Invested equity

| | Number of shares 2020 '000 | Amount 2020 RM'000 | Number of shares 2019 '000 | Amount 2019 RM'000 |
|---|---|---|---|---|
| **Issued and fully paid shares with no par value of SHESB classified as equity instruments:** | | | | |
| At 1 January/31 December 2020 | 1,500 | 1,500 | 1,500 | 1,500 |

**Ordinary shares**

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

**Invested equity**

Invested equity comprised the share capital of the combining entity.

## 10. Loans and borrowings

| | Note | 2020 RM'000 | 2019 RM'000 |
|---|---|---|---|
| **Non-current** | | | |
| *Secured:* | | | |
| Term loans | 10.1 | 1,265 | 649 |
| Hire purchase liabilities | 10.3 | 339 | 306 |
| | | 1,604 | 955 |
| **Current** | | | |
| *Secured:* | | | |
| Term loans | 10.1 | 363 | 392 |
| Trade financing | 10.2 | 479 | 1,953 |
| Hire purchase liabilities | 10.3 | 188 | 445 |
| Bank overdrafts | 10.4 | 455 | 472 |
| | | 1,485 | 3,262 |
| | | 3,089 | 4,217 |

## 10. Loans and borrowings (continued)

### 10.1 Term loans

The term loans consisting of:

(a) The Term Loan I bears interest at rate of 10.95% (2019: 11.83%) per annum with 84 monthly repayment instalments. The term loan is secured and supported by:
- Credit Guarantee Corporation (M) Bhd (CGC) under the SMEBiz Solutions Portfolio Guarantee Scheme (PGS) of 70% of the facility limit.
- Joint and several guarantees by all directors of SHESB.

The outstanding balance of Term Loan I as at the financial year end is RM576,000 (2019: RM712,000).

(b) The Term Loan II bears interest at rate of 4.50% (2019: 4.50%) per annum, repayable within 48 months repayment instalments. The term loan is secured and supported by:
- Guarantee by the government through Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) will cover 70% of the total facility amount;
- Joint and several guarantees by all directors of SHESB.

The outstanding balance of Term Loan II as at the financial year end is RM52,000 (2019: RM329,000).

(c) The Term Loan III bears interest at rate of 3.50% (2019: Nil) per annum, repayable within 66 months repayment instalments. The term loan is secured and supported by:
- Guarantee by the government through Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) will cover 80% of the total facility limit;
- Joint and several guarantees by all directors of SHESB.

The outstanding balance of Term Loan III as at the financial year end is RM1,000,000.

### 10.2 Trade financing

(a) The Trade Financing I bears interest at rate of 7.70% (2019: 8.35) per annum. The trade financing is secured and supported by:
- Guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) under the Working Capital Guarantee Scheme (WCGS) of 70% from the approved amount;
- Guarantee by general deed of Assignment of Contract Proceeds and Charge Over Project Account to be executed between the Customer and the Bank for all contract financed by the Bank;
- Pledged deposits of RM974,000 (2019: RM766,000) as disclosed in Note 8;
- Joint and several guarantees by all directors of SHESB.

The outstanding balance of Trade Financing I as at the financial year end is RM340,000 (2019: RM652,000).

## 10. Loans and borrowings (continued)

### 10.2 Trade financing

(b) The Trade Financing II bears interest at rate of 7.10% (2019: 7.79%) per annum. The trade financing is secured and supported by:

- Guarantee by notice of Instruction to Pay (ITP) duly acknowledged by the Principal to remit the contract proceeds directly into the Customer's Non Checking Current Account (NCCA) with the bank;
- Guarantee by the government through Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) will cover 70% of the total facility limit; Joint and several guarantees by all directors of SHESB.

The outstanding balance of Trade Financing II as at the financial year end is RM139,000 (2019: RM1,301,000).

### 10.3 Hire purchase liabilities

Hire purchase liabilities are payable as follows:

| | Future minimum lease payments 2020 RM'000 | Interest 2020 RM'000 | Present value of minimum lease payments 2020 RM'000 | Future minimum lease payments 2019 RM'000 | Interest 2019 RM'000 | Present value of minimum lease payments 2019 RM'000 |
|---|---|---|---|---|---|---|
| Less than one year | 208 | 20 | 188 | 482 | 37 | 445 |
| Between one to five years | 348 | 9 | 339 | 339 | 33 | 306 |
| | 556 | 29 | 527 | 821 | 70 | 751 |

## 10. Loans and borrowings (continued)

### 10.4 Bank overdraft

(a) The bank overdraft bears interest rate of 8.83% (2019: 9.70%) per annum on daily rest. The overdraft is secured and supported by:
- Pledged deposits of RM319,000 (2019: RM310,000) as disclosed in Note 8;
- Guarantee by joint and several guarantees by all directors of SHESB.

## 11. Deferred tax liabilities

**Recognised deferred tax liabilities**

Deferred tax liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Plant and equipment | - | - | (141) | (100) | (141) | (100) |
| Right-of-use assets | - | - | (47) | (97) | (47) | (97) |
| Lease liabilities | 50 | 99 | - | - | 50 | 99 |
| Others | - | - | (67) | (67) | (67) | (67) |
| Tax assets/(liabilities) | 50 | 99 | (255) | (264) | (205) | (165) |
| Set-off | (50) | (99) | 50 | 99 | - | - |
| Net tax assets/(liabilities) | - | - | (205) | (165) | (205) | (165) |

## 11. Deferred tax liabilities (continued)

**Movement in temporary differences during the financial year**

| | At 1.1.2019 RM'000 | Recognised in profit or loss (Note 16) RM'000 | At 31.12.2019/ 1.1.2020 RM'000 | Recognised in profit or loss (Note 16) RM'000 | 31.12.2020 RM'000 |
|---|---|---|---|---|---|
| Plant and equipment | (72) | (28) | (100) | (41) | (141) |
| Right-of-use assets | (38) | (59) | (97) | 50 | (47) |
| Lease liabilities | 39 | 60 | 99 | (49) | 50 |
| Others | - | (67) | (67) | - | (67) |
| Net tax liabilities | (71) | (94) | (165) | (40) | (205) |

## 12. Trade and other payables

| | Note | 2020 RM'000 | 2019 RM'000 |
|---|---|---|---|
| **Trade** | | | |
| Trade payables | | 969 | 1,781 |
| **Non-trade** | | | |
| Accruals | | 356 | 341 |
| | | 1,325 | 2,122 |

# 13. Revenue

| | 2020 RM'000 | 2019 RM'000 |
|---|---|---|
| **Revenue from contracts with customers** | 19,865 | 20,451 |

## 13.1 Disaggregation of revenue from contracts with customers

| | 2020 RM'000 | 2019 RM'000 |
|---|---|---|
| Engineering, procurement, construction and commissioning ("EPCC") services and facilities improvement/maintenance | 11,947 | 12,131 |
| Installation and maintenance ("I&M") of oilfield equipment | 5,638 | 5,468 |
| Supply of oilfield equipment | 2,280 | 2,852 |
| Total revenue from contracts with customers | 19,865 | 20,451 |
| **Timing and recognition** | | |
| Overtime | 17,585 | 17,599 |
| Point in time | 2,280 | 2,852 |
| Total revenue from contracts with customers | 19,865 | 20,451 |

## 13.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

| Nature of services | Timing of recognition or method used to recognised revenue | Significant payment terms | Warranty |
|---|---|---|---|
| EPCC services and facilities improvement/ maintenance | Revenue is recognised over the period in which the services are rendered. | Credit period of 30 days from invoice date. | Defect liability period of 12 months to 18 months is given to customer. |
| I&M of oilfield equipment | Revenue is recognised over the period in which the services are rendered. | Credit period of 30 days from invoice date. | Defect liability period of 18 months to 36 months is given to customer. |
| Supply of oilfield equipment | Revenue is recognised at a point in time when or as the control of goods is transferred to the customer. | Credit period of 30 days from invoice date. | Defect liability period of 18 months is given to customer. |

There were no variable elements in considerations, obligation for return or refunds in the provision of services by the Group.

Revenue of the Group is predominantly from operations in Malaysia.

## 13. Revenue (continued)

### 13.3 Transaction price allocated to the remaining performance obligations

As at the reporting date, the Group applies practical expedient that exempts the disclosure of information on remaining performance obligation that have original expected durations of one year or less. Thus, no disclosure is made on allocation of transaction price to the remaining performance obligations.

## 14. Finance cost

| | Note | 2020 RM'000 | 2019 RM'000 |
|---|---|---|---|
| Interest expenses arising from: | | | |
| - Term loans | | 93 | 132 |
| - Trade financing | | 55 | 173 |
| - Hire purchase liabilities | | 54 | 28 |
| - Bank overdraft | | 38 | 44 |
| - Lease liabilities | | 24 | 26 |
| - Bank guarantee | 14.1 | 90 | 83 |
| | | 354 | 486 |

### 14.1 Bank guarantee

Included within bank guarantee are fees paid to SJPP amounting to RM28,000 (2019: RM49,000) as disclosed in Note 10.

## 15. Profit before tax

| | Note | 2020 RM'000 | 2019 RM'000 |
|---|---|---|---|
| **Profit before tax is arrived at after charging/(crediting):** | | | |
| Auditors' remuneration | | | |
| - Audit fees | | | |
| KPMG PLT | | 52 | - |
| Others | | - | 20 |
| **Material expenses/(income)** | | | |
| Finance income | | (93) | (41) |
| Gain on disposal of plant and equipment | | (4) | - |
| Gain on derecognition of right-of-use assets | | (1) | - |
| Depreciation of plant and equipment | | 518 | 535 |
| Depreciation of right-of-use assets | | 201 | 151 |
| Personnel expenses (including key management personnel) | | | |
| - Contributions to state plans | | 540 | 402 |
| - Wages, salaries and others | | 6,938 | 6,522 |
| Wages subsidy | | (275) | - |
| Net foreign exchange loss | | 18 | 14 |
| **Expenses arising from leases** | | | |
| Expenses relating to short-term leases | a | 400 | 752 |

## 15. Profit before tax (continued)

**Note a**

The Group leases equipment with contract terms of less than one year. These leases are short-term leases. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

## 16. Tax expense

| | 2020<br>RM'000 | 2019<br>RM'000 |
|---|---|---|
| **Current tax expense** | | |
| Current year | 1,027 | 169 |
| Under provision in prior year | - | 33 |
| | 1,027 | 202 |
| **Deferred tax expense** | | |
| Origination of temporary differences | 3 | 94 |
| Under provision in prior year | 37 | - |
| | 40 | 94 |
| | 1,067 | 296 |

***Reconciliation of tax expense***

| | 2020<br>RM'000 | 2019<br>RM'000 |
|---|---|---|
| Profit before tax | 4,016 | 753 |
| Income tax calculated using Malaysian statutory tax rate of 24% (2019: 24%) | 964 | 181 |
| Effect of preferential tax rate of 17% | (42) | (35) |
| Non-deductible expenses | 108 | 119 |
| Non-taxable income | - | (2) |
| Under provision in prior year | | |
| - current tax | - | 33 |
| - deferred tax | 37 | - |
| | 1,067 | 296 |

## 17. Earnings per ordinary share

**Basic earnings per ordinary share**

The calculation of basic earnings per ordinary share at 31 December 2020 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

| | 2020<br>RM'000 | 2019<br>RM'000 |
|---|---|---|
| Profit for the year attributable to owners of the Group | 2,949 | 457 |

| | 2020<br>RM'000 | 2019<br>RM'000 |
|---|---|---|
| Weighted average number of ordinary shares | 1,500 | 1,500 |

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| Basic earnings per ordinary share | 1.97 | 0.30 |

There is no dilution in earnings per share as there is no potential diluted ordinary share.

## 18. Dividends

Dividends recognised by the Group:

| | Sen per share RM | Total amount RM'000 | Date of payment |
|---|---|---|---|
| **2020** | | | |
| Interim 2020 ordinary | 0.80 | 1,200 | 15 June 2020 |
| Interim 2020 ordinary | 0.15 | 225 | 12 November 2020 |
| Interim 2020 ordinary | 0.29 | 433 | 31 December 2020 |
| | | 1,858 | |

## 19. Operating segments

### Segment information

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer ("CEO") reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

| | |
|---|---|
| ● EPCC services and and facilities improvement/ maintenance | Includes the provision of EPCC services for chemical injection skids and improvement/ maintenance in topside oil and gas ("O&G") facilities (i.e. onshore O&G terminal and/or offshore production platform). |
| ● I&M of oilfield equipment | Includes the installation, repair, refurbishment and replacement of oilfield equipment (e.g. pig trap system, fire rated doors or oil spill recovery equipment) in topside O&G facilities (i.e. onshore O&G terminals and/or offshore production platform). |
| ● Supply of oilfield equipment | Includes the supply of oilfield equipment (e.g. pig trap system, fire rated doors or oil spill recovery equipment), as well as their parts and components, undertaken through purchase orders on an ad-hoc basis. |

Due to the high integration within all these three segments, performance of individual segment is measured based on revenue and gross profit, as included in the internal management reports that are reviewed by the Group's CEO. Hence, no other disclosure for segment assets, segment liabilities and segment capital expenditures.

| | EPCC services and facilities improvement/ maintenance RM'000 | I&M of oilfield equipment RM'000 | Supply of oilfield equipment RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2020** | | | | |
| *Included in the measure of segment profit are:* | | | | |
| Revenue from external customers | 11,947 | 5,638 | 2,280 | 19,865 |
| Cost of sales | (4,267) | (3,506) | (2,020) | (9,793) |
| Gross profit | 7,680 | 2,132 | 260 | 10,072 |
| **2019** | | | | |
| *Included in the measure of segment profit are:* | | | | |
| Revenue from external customers | 12,131 | 5,468 | 2,852 | 20,451 |
| Cost of sales | (6,956) | (4,584) | (2,401) | (13,941) |
| Gross profit | 5,175 | 884 | 451 | 6,510 |

## 19. Operating segments (continued)

**Geographical segments**

The geographical location of customers predominantly operates within Malaysia.

**Major customers**

A single customer has contributed 100% (2019: 94%) of the Group's total revenue.

## 20. Financial instruments

### 20.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC"):

| | Carrying amount RM'000 | AC RM'000 |
|---|---|---|
| **2020** | | |
| **Financial assets** | | |
| Trade and other receivables | 979 | 979 |
| Cash and cash equivalents | 5,013 | 5,013 |
| | 5,992 | 5,992 |
| **Financial liabilities** | | |
| Trade and other payables | 1,325 | 1,325 |
| Loans and borrowings | 3,089 | 3,089 |
| | 4,414 | 4,414 |
| **2019** | | |
| **Financial assets** | | |
| Trade and other receivables | 1,674 | 1,674 |
| Cash and cash equivalents | 3,905 | 3,905 |
| | 5,579 | 5,579 |
| **Financial liabilities** | | |
| Trade and other payables | 2,122 | 2,122 |
| Loans and borrowings | 4,217 | 4,217 |
| | 6,339 | 6,339 |

# 20. Financial instruments (continued)

## 20.2 Net gains/(losses) arising from financial instruments

| | 2020 RM'000 | 2019 RM'000 |
|---|---|---|
| Financial assets at amortised cost | 93 | 41 |
| Financial liabilities at amortised cost | (348) | (474) |
| Net losses | (255) | (433) |

## 20.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

## 20.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its trade and other receivables and cash and cash equivalents.

**Trade receivables and contract assets**

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by the carrying amounts in the combined statements of financial position.

# 20. Financial instruments (continued)

## 20.4 Credit risk (continued)

**Trade receivables and contract assets (continued)**

*Concentration of credit risk*

At the end of the reporting period, the Group has a concentration of credit risk from a single customer, representing approximately 98% (2019: 98%) of the Group's trade receivables. All trade receivables are within Malaysia.

*Recognition and measurement of impairment losses*

All financial assets measured at amortised cost are first assessed for credit impaired trade receivables.

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

As there are only a few customers, the Group assessed the risk of loss of each customer individually based on their financial information, past trend of payments and external credit ratings, where applicable. The trade receivables were deemed to have low risk of default.

The following table provides information about the exposure to credit risk for trade receivables and contract assets which are grouped together as they are expected to have similar risk nature.

| | **Gross carrying amount RM'000** | **Loss allowance RM'000** | **Net balance RM'000** |
|---|---|---|---|
| **2020** | | | |
| Not past due | 1,699 | - | 1,699 |
| Past due 1 - 90 days | - | - | - |
| Past due more than 90 days | 11 | - | 11 |
| | 1,710 | - | 1,710 |
| | | | |
| Trade receivables | 524 | - | 524 |
| Contract assets | 1,186 | - | 1,186 |
| | 1,710 | - | 1,710 |

# 20. Financial instruments (continued)

## 20.4 Credit risk (continued)

**Trade receivables and contract assets (continued)**

*Recognition and measurement of impairment losses (continued)*

| | Gross carrying amount RM'000 | Loss allowance RM'000 | Net balance RM'000 |
|---|---|---|---|
| **2019** | | | |
| Not past due | 1,599 | - | 1,599 |
| Past due 1 - 90 days | - | - | - |
| Past due more than 90 days | - | - | - |
| | 1,599 | - | 1,599 |
| Trade receivables | 655 | - | 655 |
| Contract assets | 944 | - | 944 |
| | 1,599 | - | 1,599 |

Trade receivables that are past due have not been impaired as these debtors have historically been creditworthy with good payment records with the Group.

**Cash and cash equivalents**

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the combined statements of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group is of the view that the loss allowance is not material and hence, it is not provided for.

# 20. Financial instruments (continued)

## 20.4 Credit risk (continued)

**Other receivables and deposits**

Credit risks on other receivables and deposits are mainly arising from deposits and advances paid for capital commitments. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the combined statements of financial position.

These other receivables have low credit risks. Consequently, the Group is of the view that the loss allowance is not material.

**Company in which a Director has financial interest**

*Risk management objectives, policies and processes for managing the risk*

The Group transacts with a company in which a Director has financial interest.

Generally, the Group considers these advances have low credit risk. The Group assumes that there is a significant increase in credit risk when:
- The company in which a Director has financial interest is unlikely to repay its advance to the Group in full;
- The advance is overdue for more than 365 days; or
- The company in which a Director has financial interest is continuously loss making and is having a deficit shareholders' fund.

As at the end of the financial year ended 31 December 2020, all these outstanding balances have been fully collected by the Group. Consequently, the Group is of the view that the loss allowance is not material.

## 20.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings and lease liabilities.

The Group monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate by management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

## 20. Financial instruments (continued)

### 20.5 Liquidity risk (continued)

***Maturity analysis***

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

| | Carrying amount RM'000 | Contractual interest rate/ discount rate % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 – 5 years RM'000 |
|---|---|---|---|---|---|
| **2020** | | | | | |
| **Financial liabilities** | | | | | |
| Trade and other payables | 1,325 | - | 1,325 | 1,325 | - |
| Term loans | 1,628 | 3.50 - 10.95 | 1,843 | 481 | 1,362 |
| Trade financing | 479 | 7.10 - 7.70 | 479 | 479 | - |
| Hire purchase liabilities | 527 | 2.70 - 5.70 | 556 | 208 | 348 |
| Lease liabilities | 208 | 6.84 | 222 | 159 | 63 |
| Bank overdraft | 455 | 8.83 | 455 | 455 | - |
| | 4,622 | | 4,880 | 3,107 | 1,773 |
| **2019** | | | | | |
| **Financial liabilities** | | | | | |
| Trade and other payables | 2,122 | - | 2,122 | 2,122 | - |
| Term loans | 1,041 | 4.50 - 11.83 | 1,237 | 506 | 731 |
| Trade financing | 1,953 | 7.72 - 8.35 | 1,953 | 1,953 | - |
| Hire purchase liabilities | 751 | 2.67 - 5.70 | 810 | 238 | 572 |
| Lease liabilities | 413 | 8.32 | 453 | 236 | 217 |
| Bank overdraft | 472 | 9.70 | 472 | 472 | - |
| | 6,752 | | 7,047 | 5,527 | 1,520 |

# 20. Financial instruments (continued)

## 20.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's financial position or cash flows.

### 20.6.1 Currency risk

Management has assessed that the Group is not significantly exposed to any foreign currency risks.

### 20.6.2 Interest rate risk

The Group's primary interest rate risks relate to deposit placed with licensed banks, term loans, bank overdraft, hire purchase liabilities and lease liabilities.

The Group's deposits placed with licensed banks, fixed rate term loans, hire purchase liabilities and lease liabilities are exposed to a risk of change in their fair value due to changes in interest rates, The Group's variable rate term loans and bank overdraft are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

*Risk management objectives, policies and processes for managing the risk*

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate of borrowings.

*Exposure to interest rate risk*

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

| | 2020<br>RM'000 | 2019<br>RM'000 |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial asset | | |
| Deposits with licensed banks | 1,293 | 1,076 |
| | | |
| Financial liabilities | | |
| Term loans | (1,052) | (329) |
| Hire purchase liabilities | (527) | (751) |
| Lease liabilities | (208) | (413) |
| | (494) | (417) |

# 20. Financial instruments (continued)

## 20.6.2 Interest rate risk (continued)

*Exposure to interest rate risk (continued)*

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

| | 2020 RM'000 | 2019 RM'000 |
|---|---|---|
| **Floating rate instruments** | | |
| Financial liabilities | | |
| Term loans | (576) | (712) |
| Trade financings | (479) | (1,953) |
| Bank overdraft | (455) | (472) |
| | (1,510) | (3,137) |

*Interest rate risk sensitivity analysis*

*(a) Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

*(b) Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

| | 100 bp increase RM'000 | 100 bp decrease RM'000 |
|---|---|---|
| **2020** | | |
| Floating rate instruments | (11) | 11 |
| **2019** | | |
| Floating rate instruments | (24) | 24 |

## 20. Financial instruments (continued)

### 20.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short-term borrowings reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The tables below analyses other financial instruments at fair value.

| | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Total fair value | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|---|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | RM'000 | RM'000 |
| **2020** | | | | | | | | | | |
| **Financial liabilities** | | | | | | | | | | |
| Term loans | - | - | - | - | - | - | (1,594) | (1,594) | (1,594) | (1,628) |
| Lease liabilities | - | - | - | - | - | - | (212) | (212) | (212) | (208) |
| Hire purchase liabilities | - | - | - | - | - | - | (531) | (531) | (531) | (527) |
| | - | - | - | - | - | - | (2,337) | (2,337) | (2,337) | (2,363) |
| **2019** | | | | | | | | | | |
| **Financial liabilities** | | | | | | | | | | |
| Term loans | - | - | - | - | - | - | (1,035) | (1,035) | (1,035) | (1,041) |
| Lease liabilities | - | - | - | - | - | - | (416) | (416) | (416) | (413) |
| Hire purchase liabilities | - | - | - | - | - | - | (743) | (743) | (743) | (751) |
| | - | - | - | - | - | - | (2,194) | (2,194) | (2,194) | (2,205) |

## 20. Financial instruments (continued)

### 20.7 Fair value information (continued)

***Policy on transfer between levels***

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

***Level 3 fair value***

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

**Financial instruments not carried at fair value**

| **Type** | **Description of valuation technique and inputs used** |
|---|---|
| Term loans and hire purchase liabilities | Discounted cash flows using a rate based on the current market rate of borrowing of the Group at the reporting date. |

## 21. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 31 December 2019.

The Group's strategy, which was unchanged from 2019, was to maintain the debt-to-equity ratio at a lower end range within 0.5:1 to 1.5:1. The debt-to-equity ratios are as follows:

| | **2020 RM'000** | **2019 RM'000** |
|---|---|---|
| Loans and borrowings | 3,089 | 4,217 |
| Lease liabilities | 208 | 413 |
| Net debt | 3,297 | 4,630 |
| Total equity | 4,476 | 3,385 |
| Debt-to-equity ratio | 0.74 | 1.37 |

## 22. Capital and other commitments

| | Note | 2020 RM'000 | 2019 RM'000 |
|---|---|---|---|
| **Capital expenditure commitments** | | | |
| **Property, plant and equipment** | | | |
| *Authorised and contracted for* | 22.1 | 1,300 | - |

**22.1** Included within the capital expenditure commitments authorised and contracted for are deposits paid amounting to RM600,000 (2019: RM Nil) as disclosed in Note 7.3.

## 23. Related parties

**Identity of related parties**

For the purposes of these combined financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group.

The Group has related party relationship with a company in which a Director has financial interest and key management personnel.

**Significant related party transactions**

Significant related party transactions other than disclosed elsewhere in the combined financial statements are as follows:

| | 2020 RM'000 | 2019 RM'000 |
|---|---|---|
| **Transactions** | | |
| **A. Companies in which a Director has financial interest** | | |
| Consultancy fees paid | 175 | 150 |
| Deposits paid | 600 | - |
| Lease payments | 60 | 60 |
| **B. Key management personnel** | | |
| **Directors** | | |
| Dividend payment | 1,858 | - |
| Remuneration | 377 | 364 |
| Directors' fee | 84 | - |
| Other employee benefits | 36 | 11 |

## 23. Related parties (continued)

**Significant related party transactions (continued)**

| | | |
|---|---|---|
| **Balances** | | |
| **A. Company in which a Director has financial interest** | | |
| Deposits | 600 | - |
| Lease liabilities | - | 57 |

Related party transactions have been entered into in the normal course of business and have been established under negotiated terms. The gross balances outstanding for related parties are disclosed in Note 7 and Note 12 to the combined financial statements, other than lease liabilities balances as disclosed above.

## 24. Combining entity

| Name of entity | Country of incorporation | Principal activities | Effective ownership interest and voting interest 2020 | 2019 |
|---|---|---|---|---|
| Steel Hawk Engineering Sdn. Bhd. ("SHESB") | Malaysia | Supply of oilfield equipment, provision of EPCC services and I&M for offshore and onshore in oil and gas and petrochemical industry | 100%# | 100%# |

# *The shareholders of the Company owned 51% of the shareholding of SHESB. Remaining 49% owned by Dato' Sharman Kristy A/L Michael. Common control exists as all the shareholders of SHESB have subsequent to year end entered into a contractual arrangement for the purpose of a restructuring exercise, as part of the Proposed Listing, that will result in the Company becoming the holding company of SHESB.*

## 25. Subsequent events

On 12 April 2021, the Company entered into a conditional share sale agreement ("SSA") to acquire issued share capital of SHESB of RM1,500,000 comprising 1,500,000 ordinary shares from the shareholders of SHESB for a purchase consideration of RM4,607,999. The said purchase consideration will be fully satisfied by the issuance of 143,999,960 new ordinary shares at an issue price of RM0.032 per share to the shareholders of SHESB, namely Dato' Sharman Kristy A/L Michael, Salimi Bin Khairuddin and Khairul Nazri Bin Kamarudin.

Pursuant to the terms of the share sale agreement, the consideration shares for Salimi Bin Khairuddin and Khairul Nazri Bin Kamarudin were issued and allotted directly to Radiant Capital Sdn. Bhd..

Upon completion of the Acquisition of SHESB, the issued share capital of the Company had increased to RM4,608,001 comprising 144,000,000 Shares.

The SSA was completed on 9 June 2021.

KPMG PLT
(LLP0010081-LCA & AF 0758)
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**The Board of Directors**
Steel Hawk Sdn. Bhd.
No. 23-2, Block H, Dataran Prima
Jalan PJU 1/37
47301 Petaling Jaya
Selangor.

28 June 2021

Dear Sirs

**Reporting Accountants' opinion on the combined financial statements contained in the accountant's report of Steel Hawk Sdn. Bhd.**

**Opinion**

We have audited the combined financial statements of Steel Hawk Sdn. Bhd. (the "Company") and its combining entity, Steel Hawk Engineering Sdn. Bhd. (collectively referred to as the "Group"), which comprise the combined statements of financial position as at 31 December 2020 and 31 December 2019, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and combined statements of cash flows for the years then ended, and notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages 1 to 51. The combined financial statements of the Group have been prepared for inclusion in the information memorandum of Steel Hawk Sdn. Bhd. in connection with the proposed listing of and quotation for the entire issued share capital of Steel Hawk Sdn. Bhd. on the Leading Entrepreneur Accelerator Platform ("LEAP") Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and for no other purposes.

In our opinion, the accompanying combined financial statements give a true and fair view of the combined financial position of the Group as at 31 December 2020 and 31 December 2019, and of its combined financial performance and combined cash flows for the years then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

**Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our reporting accountant's report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence and Other Ethical Responsibilities**

We are independent of the Group in accordance with the *By-Laws ( on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**Responsibilities of the Directors for the Combined Financial Statements**

The Directors of the Company (the "Directors") are responsible for the preparation of the combined financial statements of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a reporting accountant's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

**Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (continued)**

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountants' report to the related disclosures in the combined financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Restriction on distribution and use**

This report is made solely to Steel Hawk Sdn. Bhd. and for inclusion in the information memorandum of Steel Hawk Sdn. Bhd. in connection with the proposed listing of and quotation for the entire issued share capital of Steel Hawk Sdn. Bhd. on the Leading Entrepreneur Accelerator Platform ("LEAP") Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and for no other purposes. We do not assume responsibility to any other person for the content of this report.

KPMG

| | |
|---|---|
| **KPMG PLT** | **Vengadesh A/L Jogarajah** |
| (LLP0010081-LCA & AF 0758) | Approval Number: 03337/12/2021 J |
| Chartered Accountants | Chartered Accountant |

Petaling Jaya, Selangor

## APPENDIX II

## Unaudited Consolidated Financial Statements for the Financial Period Ended 30 June 2021

# Steel Hawk Berhad

(Registration No. 202001043293 (1399614-A))
(Incorporated in Malaysia)

**UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2021**

## UNAUDITED CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF FINANCIAL POSITION

| | 30 June 2021<br>RM'000 | 31 December 2020<br>RM'000 |
|---|---|---|
| **Assets** | | |
| Plant and equipment | 1,734 | 1,818 |
| Right-of-use assets | 325 | 197 |
| **Total non-current assets** | 2,059 | 2,015 |
| Inventories | 431 | 338 |
| Contract assets | 4,891 | 1,186 |
| Trade and other receivables | 2,846 | 1,581 |
| Cash and cash equivalent | 1,931 | 5,013 |
| **Total current assets** | 10,099 | 8,118 |
| **Total assets** | 12,158 | 10,133 |
| **Equity** | | |
| Share capital | 4,608 | * |
| Invested equity | - | 1,500 |
| Other reserve | (27) | - |
| Reserves | 419 | 2,976 |
| **Total equity attributable to owners of the Company** | 5,000 | 4,476 |
| **Liabilities** | | |
| Loans and borrowings | 1,373 | 1,604 |
| Lease liabilities | 135 | 60 |
| Deferred tax liabilities | 192 | 205 |
| **Total non-current liabilities** | 1,700 | 1,869 |
| Loans and borrowings | 1,039 | 1,485 |
| Lease liabilities | 199 | 148 |
| Trade and other payables | 3,240 | 1,325 |
| Current tax liabilities | 980 | 830 |
| **Total current liabilities** | 5,458 | 3,788 |
| **Total liabilities** | 7,158 | 5,657 |
| **Total equity and liabilities** | 12,158 | 10,133 |
| **Net assets per share attributable to owners of the Company**[1] | 0.03 | 2.98 |

* *Denotes RM2*

(1) *Net assets per share attributable to owners of the Company is calculated based on the share capital of 144,000,000 Shares (2020 : 1,500,000 Shares).*

The Unaudited Condensed Consolidated and Combined Statement of Financial Position should be read in conjunction with the Accountants' Report dated 14 June 2021 and the accompanying explanatory notes attached to the condensed consolidated and combined interim financial report.

## UNAUDITED CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | 6 months ended | |
|---|---|---|
| | **30 June 2021** | **30 June 2020** |
| | **RM'000** | **RM'000** |
| **Revenue** | 9,893 | 11,023 |
| Cost of sales | (5,613) | (6,410) |
| **Gross profit** | 4,280 | 4,613 |
| Other income | 38 | 162 |
| Administrative expenses | (3,357) | (2,766) |
| **Results from operating activities** | 961 | 2,009 |
| Finance income | 8 | 73 |
| Finance costs | (140) | (169) |
| **Profit before tax** | 829 | 1,913 |
| Tax expense | (305) | (530) |
| **Net profit and total comprehensive income for the period attributable to owners of the Company** | 524 | 1,383 |
| **Basic earnings per ordinary share (RM)** | 0.004 | 0.92 |

The Unaudited Condensed Consolidated and Combined Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Accountants' Report dated 14 June 2021 and the accompanying explanatory notes attached to the condensed consolidated and combined interim financial report.

## UNAUDITED CONDENSED CONSOLIDATED AND COMBINED STATEMENT OF CHANGES IN EQUITY

| | *Non-distributable* | | | *Distributable* | |
|---|---|---|---|---|---|
| | **Share capital RM'000** | **Invested equity[1] RM'000** | **Other reserve RM'000** | **Reserves RM'000** | **Total RM'000** |
| At 1 January 2020 | - | 1,500 | - | 1,885 | 3,385 |
| Net profit and total comprehensive income for the financial period | - | - | - | 1,383 | 1,383 |
| Dividend paid | | | | (1,200) | (1,200) |
| At 30 June 2020 | - | 1,500 | - | 2,068 | 3,568 |
| | | | | | |
| At 1 January 2021 | * | 1,500 | - | 2,976 | 4,476 |
| Acquisition of a subsidiary | 4,608 | (1,500) | (27) | (3,081) | - |
| Net profit and total comprehensive income for the financial period | - | - | - | 524 | 524 |
| At 30 June 2021 | 4,608 | - | (27) | 419 | 5,000 |

* *Denotes RM2*

(1) *This invested equity represents the Company's investment in Steel Hawk Engineering Sdn. Bhd. ("SHESB")*

The Unaudited Condensed Consolidated and Combined Statement of Changes in Equity should be read in conjunction with the Accountants' Report dated 14 June 2021 and the accompanying explanatory notes attached to the condensed consolidated and combined interim financial report.

## UNAUDITED CONDENSED CONSOLIDATED AND COMBINED STATEMENT OF CASH FLOWS

| | 6 months ended | |
|---|---|---|
| | **30 June 2021** | **30 June 2020** |
| | **RM'000** | **RM'000** |
| **Cash flows from operating activities** | | |
| Profit before tax | 829 | 1,913 |
| *Adjustments for:* | | |
| Depreciation of plant and equipment | 261 | 277 |
| Depreciation of right-of-use asset | 89 | 101 |
| Gain on disposal of plant and equipment | (10) | - |
| Gain on derecognition of right-of-use asset | (3) | (1) |
| Plant and equipment written off | 3 | - |
| Interest expense | 140 | 169 |
| Interest income | (8) | (73) |
| **Operating profit before working capital changes** | 1,301 | 2,386 |
| Changes in working capital: | | |
| Inventories | (93) | 779 |
| Trade and other receivables | (1,265) | (771) |
| Trade and other payables | 1,915 | (195) |
| Contract assets | (3,705) | (486) |
| **Cash (used in)/generated from operations** | (1,847) | 1,713 |
| Tax paid | (168) | (90) |
| **Net cash (used in)/flows from operating activities** | (2,015) | 1,623 |
| | | |
| **Cash flows for investing activities** | | |
| Acquisition of plant and equipment | (182) | (153) |
| Proceeds from disposal of plant and equipment | 12 | - |
| Interest income | 8 | 73 |
| Changes in pledged deposits | 319 | - |
| **Net cash (used in)/flows from investing activities** | 157 | (80) |
| | | |
| **Cash flows for financing activities** | | |
| Interest expense | (140) | (169) |
| Net repayment of term loan | (171) | (201) |
| Net repayment of trade financings | (5) | (250) |
| Repayment of hire purchase | (46) | (98) |
| Repayment to lease liabilities | (88) | (98) |
| Dividend paid | - | (1,200) |
| **Net cash flows used in financing activities** | (450) | (2,016) |
| | | |
| **Net decrease in cash and cash equivalents** | (2,308) | (473) |
| Cash and cash equivalents at beginning of year | 3,265 | 2,357 |
| **Cash and cash equivalents at end of period** | 957 | 1,884 |

## UNAUDITED CONDENSED CONSOLIDATED AND COMBINED STATEMENT OF CASH FLOWS (CONTINUED)

### (i) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

| | 30 June 2021 RM'000 | 30 June 2020 RM'000 |
|---|---|---|
| Cash and cash equivalents | 1,931 | 3,432 |
| Bank overdraft | - | (473) |
| | 1,931 | 2,959 |
| Pledged deposits | (974) | (1,075) |
| | 957 | 1,884 |

### (ii) Reconciliation of movement of liabilities to cash flows arising from financing activities

| | At 1.1.2020 RM'000 | Acquisition of new lease RM'000 | Net changes from financing cash flows RM'000 | Derecognition RM'000 | At 30.6.2020 RM'000 |
|---|---|---|---|---|---|
| Term loans | 1,041 | - | (201) | - | 840 |
| Trade financings | 1,953 | - | (250) | - | 1,703 |
| Hire purchase liabilities | 751 | - | (98) | - | 653 |
| Lease liabilities | 413 | 25 | (98) | (47) | 293 |
| | 4,158 | 25 | (647) | (47) | 3,489 |

| | At 1.1.2021 RM'000 | Acquisition of new lease RM'000 | Net changes from financing cash flows RM'000 | Derecognition RM'000 | At 30.6.2021 RM'000 |
|---|---|---|---|---|---|
| Term loans | 1,628 | - | (171) | - | 1,457 |
| Trade financings | 479 | - | (5) | - | 474 |
| Hire purchase liabilities | 527 | - | (46) | - | 481 |
| Lease liabilities | 208 | 268 | (88) | (54) | 334 |
| | 2,842 | 268 | (310) | (54) | 2,746 |

The Unaudited Condensed Combined Statement of Cash flows should be read in conjunction with the Accountants' Report dated 14 June 2021 and the accompanying explanatory notes attached to the condensed consolidated and combined interim financial report.

## A. EXPLANATORY NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

### A1. BASIS OF PREPARATION

The condensed consolidated and combined interim financial report is unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134, *Interim Financial Reporting* and in compliance with the LEAP Market Listing Requirements of Bursa Securities.

The Company was incorporated on 29 December 2020 for the purpose of a restructuring exercise, as part of the listing scheme in relation to the proposed listing of and quotation for the entire issued share capital of the Company on the Leading Entrepreneur Accelerator Platform ("LEAP") Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Proposed Listing"), that will result in the Company becoming the holding company of SHESB. On 8 July 2021, the Company was converted into a public limited company and assumed its present name of Steel Hawk Berhad.

<u>31 December 2020 and 30 June 2020</u>

- The combined financial statements of the Company and its combining entity (together referred to as the "Group") have been prepared resulting from the restructuring of the Group in connection with the Proposed Listing.

- The condensed combined interim financial report of the Group has been prepared as if the Group has been operated as a single economic entity throughout the financial periods under review.

The condensed consolidated and combined interim financial report should be read in conjunction with the Accountants' Report dated 14 June 2021 and the accompanying explanatory notes attached to the condensed consolidated and combined interim financial report. The explanatory notes attached to the condensed consolidated and combined interim financial report provide explanations of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2020.

The condensed consolidated and combined interim financial report has been prepared on the historical cost basis and on the assumption that the Group is a going concern.

### A2. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

Except as described below, the same accounting policies and methods of computation are followed in this condensed consolidated and combined interim financial report as compared with the audited combined financial statements for the financial years ended 31 December 2020 and 2019.

As of 1 January 2021, the Group has adopted the following amendments to MFRSs which are effective for annual years beginning on or after 1 January 2021 and 1 April 2021.

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*
- Amendments to MFRS 16, *Leases – Covid-19 – Related Rent Concessions beyond 30 June 2021*

The initial application of these amendments did not have any material financial impact to the current period and prior period financial statements of the Group.

## A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no qualified audit report issued by the auditors in the audited combined financial statements for the financial years ended 31 December 2020 and 2019.

## A4. SEASONAL AND CYCLICAL FACTORS

Please refer to Section 4.6 of the Information Memorandum for details of the seasonal and cyclical factors affecting the Group's business.

## A5. EXCEPTIONAL ITEMS

There were no material exceptional items during the current financial quarter under review, except for listing expenses amounting to RM356,000 that was charged out to the profit or loss account.

## A6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates in the current financial quarter under review.

## A7. DEBT AND EQUITY SECURITIES

There were no issuance and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter under review.

## A8. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE CURRENT FINANCIAL PERIOD

Save as disclosed in Note A9 "Changes in the composition of the group", there were no other material events subsequent to the end of the current financial quarter under review that have not been reflected in the interim financial report.

## A9. CHANGES IN THE COMPOSITION OF THE GROUP

Pre-Listing Exercise

On 12 April 2021, the Company entered into a conditional share sale agreement ("SSA") to acquire issued share capital of Steel Hawk Engineering Sdn. Bhd. ("SHESB") of RM1,500,000 comprising 1,500,000 ordinary shares from the shareholders of SHESB for the purchase consideration of RM4,607,999. The said purchase consideration will be fully satisfied by the issuance of 143,999,960 new ordinary shares at an issue price of RM0.032 per share to the shareholders of SHESB, namely Dato' Sharman Kristy A/L Michael, Salimi Bin Khairuddin and Khairul Nazri Bin Kamarudin.

The SSA was completed on 9 June 2021.

Upon completion of the acquisition of SHESB, the issued share capital of the Company had increased to RM4,608,001 comprising 144,000,000 ordinary shares.

## A10. DIVIDEND

The Board did not recommend any dividend for the current financial period.

## A11. SEGMENTAL INFORMATION

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer ("CEO") reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Engineering, Procurement, Construction and Commissioning ("EPCC") services and facilities improvement/ maintenance — Includes the provision of EPCC services for chemical injection skids and improvement/maintenance in topside oil and gas ("O&G") facilities (i.e. onshore O&G terminal and/or offshore production platform).
- Installation and Maintenance ("I&M") of oilfield equipment — Includes the installation, repair, refurbishment and replacement of oilfield equipment (e.g. pig trap system, fire rated doors or oil spill recovery equipment) in topside O&G facilities (i.e. onshore O&G terminals and/or offshore production platform).
- Supply of oilfield equipment — Includes the supply of oilfield equipment (e.g. pig trap system, fire rated doors or oil spill recovery equipment), as well as their parts and components, undertaken through purchase orders on an ad-hoc basis.

Due to the high integration within all these three segments, performance of individual segment is measured based on revenue and gross profit, as included in the internal management reports that are reviewed by the Group's CEO. Hence, no other disclosure for segment assets, segment liabilities and segment capital expenditures.

| | **EPCC services and facilities improvement/ maintenance RM'000** | **I&M of oilfield equipment RM'000** | **Supply of oilfield equipment RM'000** | **Total RM'000** |
|---|---|---|---|---|
| **30 June 2021** | | | | |
| *Included in the measure of segment profit are:* | | | | |
| Revenue from external customers | 6,640 | 2,477 | 776 | 9,893 |
| Cost of sales | (4,486) | (746) | (381) | (5,613) |
| Gross profit | 2,154 | 1,731 | 395 | 4,280 |
| **30 June 2020** | | | | |
| *Included in the measure of segment profit are:* | | | | |
| Revenue from external customers | 7,229 | 2,179 | 1,615 | 11,023 |
| Cost of sales | (3,773) | (1,308) | (1,329) | (6,410) |
| Gross profit | 3,456 | 871 | 286 | 4,613 |

## A12. VALUATION OF PLANT AND EQUIPMENT

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

## A13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets and contingent liabilities as at the date of this interim financial report.

## A14. CAPITAL COMMITMENTS

| | Note | 30 June 2021 RM'000 | 31 December 2020 RM'000 |
|---|---|---|---|
| **Capital expenditure commitments** | | | |
| **Property, plant and equipment** | | | |
| *Authorised and contracted for* | A14.1 | 1,300 | 1,300 |

**A14.1** Included within the capital expenditure commitments authorised and contracted for are deposits paid amounting to RM1,300,000 (31 December 2020: RM600,000)

## A15. SIGNIFICANT RELATED PARTY TRANSACTIONS

**Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group.

The Group has related party relationship with a Company in which a Director has financial interest and key management personnel.

**Significant related party transactions**

Significant related party transactions are as follows:

| | 30 June 2021 RM'000 | 30 June 2020 RM'000 |
|---|---|---|
| **Transactions** | | |
| **Companies in which a Director has financial interest** | | |
| Consultancy fees | - | 175 |
| Deposits paid in relation to acquisition of a building | 700 | - |
| Lease payments | - | 30 |

## A16. FAIR VALUE INFORMATION

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The table flow analyses other financial instruments at fair value.

| | Fair value of financial instruments not carried at fair value Level 3 RM'000 | Carrying amount RM'000 |
|---|---|---|
| **30 June 2021** | | |
| **Financial liabilities** | | |
| Term loans | 1,428 | 1,457 |
| Hire purchase liabilities | 487 | 481 |
| Lease liabilities | 329 | 334 |
| | 2,244 | 2,272 |
| **31 December 2020** | | |
| **Financial liabilities** | | |
| Term loans | 1,594 | 1,628 |
| Hire purchase liabilities | 531 | 527 |
| Lease liabilities | 212 | 208 |
| | 2,337 | 2,363 |

***Policy on transfer between levels***

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

***Level 3 fair value***

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

**Financial instruments not carried at fair value**

| Type | Description of valuation technique and inputs used |
|---|---|
| Term loans, hire purchase liabilities and lease liabilities | Discounted cash flows using a rate based on the current market rate of borrowing of the Company at the reporting date. |

## A17. PROFIT BEFORE TAX

| | | 30 June 2021 RM'000 | 30 June 2020 RM'000 |
|---|---|---|---|
| **Profit before tax is arrived at after charging/(crediting):** | | | |
| **Material expenses/(income)** | | | |
| Finance income | | (8) | (73) |
| Gain on disposal of plant and equipment | | (10) | - |
| Gain on derecognition of right-of-use assets | | (3) | (1) |
| Plant and equipment written off | | 3 | - |
| Depreciation of plant and equipment | | 261 | 277 |
| Depreciation of right-of-use assets | | 89 | 101 |
| Personnel expenses (including key management personnel) | | | |
| - Contributions to state plans | | 174 | 254 |
| - Wages, salaries and others | | 1,146 | 1,183 |
| Listing expenses | | 356 | - |
| Wages subsidy | | (25) | (161) |
| Net foreign exchange loss | | - | 3 |
| **Expenses arising from leases** | | | |
| Expenses relating to short-term leases | (i) | 1,519 | 192 |

(i) The Group leases equipment with contract terms of less than one year. These leases are short-term leases. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

*The Group did not report any other income including investment income, provision for and write off of receivables, provision for and write off of inventories, gain or loss on disposal of quoted or unquoted investments or properties, impairment of assets, foreign exchange gain or loss and gain or loss on derivatives for the financial period under review.*

## A18. TAX EXPENSE

| | 30 June 2021 RM'000 | 30 June 2020 RM'000 |
|---|---|---|
| **Current tax expense** | | |
| Current year | 318 | 493 |
| **Deferred tax expense** | | |
| Origination of temporary differences | (13) | - |
| Under provision in prior year | - | 37 |
| | (13) | 37 |
| | 305 | 530 |
| Effective tax rate | 37% | 28% |

The overall effective tax rate of 37% for the current financial period was higher than the statutory tax rate of 24% due to the increase non-deductible expenses incurred during the financial period.

## A19. REVIEW OF PERFORMANCE

Please refer to Section 8 of the Information Memorandum for details of the review of the Group's performance.

## A20. COMMENTARY ON PROSPECTS

The Group is positive towards its prospects with the business strategies and future plans set out in Section 4.12 of the Information Memorandum. Please refer to Section 4.13 of the Information Memorandum for details of the commentary of the Group's prospect.

## A21. LOANS AND BORROWINGS

Particulars of the Group's loans and borrowings are as follows:

| | Note | 30 June 2021 RM'000 | 31 December 2020 RM'000 |
|---|---|---|---|
| **Non-current** | | | |
| *Secured:* | | | |
| Term loans | | 1,085 | 1,265 |
| Hire purchase liabilities | A21.1 | 288 | 339 |
| | | 1,373 | 1,604 |
| **Current** | | | |
| *Secured:* | | | |
| Term loans | | 372 | 363 |
| Trade financing | | 474 | 479 |
| Hire purchase liabilities | A21.1 | 193 | 188 |
| Bank overdrafts | | - | 455 |
| | | 1,039 | 1,485 |

### A21.1 Hire purchase liabilities

Hire purchase liabilities are payable as follows:

| | Future minimum lease payments RM'000 | Interest RM'000 | Present value of minimum lease payments RM'000 |
|---|---|---|---|
| **30 June 2021** | | | |
| Less than one year | 212 | 19 | 193 |
| Between one to five years | 300 | 12 | 288 |
| | 512 | 31 | 481 |
| **31 December 2020** | | | |
| Less than one year | 208 | 20 | 188 |
| Between one to five years | 348 | 9 | 339 |
| | 556 | 29 | 527 |

## A22. EARNINGS PER ORDINARY SHARE

The calculations of earnings per ordinary share at 30 June 2021 and 2020, was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

| | 6 months ended | |
|---|---|---|
| | **30 June 2021** | **30 June 2020** |
| | **RM'000** | **RM'000** |
| Profit for the period attributable to owners of the Company | 524 | 1,383 |
| **Earnings per ordinary share attributable to owners of the Company** | | |
| Based on ordinary shares of SHESB: | | |
| In thousands of shares | 144,000 | 1,500 |
| Basic earnings per ordinary share (RM) | 0.004 | 0.92 |
| Based on enlarged ordinary shares in issue after the Pre-Listing Exercise and Proposed Listing: | | |
| In thousands of shares | 160,000 | 160,000 |
| Basic earnings per ordinary share (sen) (For illustrative purpose only) | 0.33 | 0.86 |

Save as disclosed in Note A9 "Changes in the composition of the group", the Company has no potential ordinary shares in issue as at the date of the statement of financial position. Diluted earnings per share is equal to basic earnings per share.

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